



PROS®

2021

ANNUAL REPORT

2021 ANNUAL REPORT CEO LETTER

Dear Shareholders, Customers, Partners, and Employees:

I'm proud of our incredible team and what we accomplished in 2021 despite the continued disruptions to our customers, our business, and our communities from the COVID-19 pandemic. We returned to growth in annual recurring revenue, which increased 9% year-over-year and significantly improved our operating cash metrics.

Our gross revenue retention rate was greater than 93%, returning to pre-COVID levels, and our Net Promoter Scores reached an all-time high – above the industry average. These metrics demonstrate the significant value we provide, which was further validated this year through an assessment we did in partnership with over 100 customers that showed they receive, on average, more than 6% revenue improvement through the use of our platform.

PROS was recognized by Great Place to Work® for the second year in a row, this time on a global scale, because our culture is built on trust and transparency, which are keys to fostering employee engagement. We have fully embraced a hybrid work model, one where we take the best of both in-person and virtual work to create a new environment that prioritizes productivity over location. We remain committed to creating an environment where every employee can bring their authentic selves to work, grow and reach their full potential.

We also received incredible industry recognition this year for our innovations and the value we provide to customers. We were named a leader in both the 2021 Gartner® Magic Quadrant™ for Configure, Price and Quote Application Suites and the 2021 IDC MarketScape: Worldwide B2B Price Optimization and Management Applications – the only vendor with a leadership position in both markets.

These successes are a result of our unwavering passion for innovation. In 2021, we launched the PROS Platform and our next-generation SaaS editions, making it easier and faster for customers of any size to adopt our industry-leading AI. We delivered 492 new features in 88 releases, including the launch of PROS Dynamic Offers for airlines and Extensible AI™ – an industry-first capability empowering businesses to plug their algorithms into our platform to deliver new digital selling innovations.

Additionally, we acquired EveryMundo and extended the capabilities of our platform to include digital offer marketing, accelerating our vision to optimize every shopping and selling experience. PROS now provides brands greater control over the end-to-end customer journey with more meaningful interactions in the research and shopping phase. I'm thrilled to have EveryMundo as part of the PROS family, a team that shares our core values of ownership, innovation, and care.

We enter 2022 extremely well-positioned to capture the large market opportunity in front of us and deliver on our mission of helping people and companies outperform.



I hope everyone is staying safe and healthy, and I thank you for your ongoing support of PROS.

— Andres

A handwritten signature in black ink, appearing to read 'Andres'.

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12



PROS HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check all boxes that apply):

- No fee required.
- Fee paid previously with preliminary materials.
- Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-6(i)(1) and 0-11.

Attending the Annual Meeting

Our 2022 annual meeting of stockholders (Annual Meeting) will be held in a virtual format to permit all stockholders equal access to the Annual Meeting.

To participate in the Annual Meeting, please follow the instructions posted at: www.virtualshareholdermeeting.com/PRO2022. Online access to the meeting platform will begin 30 minutes prior to the meeting, which will begin promptly at 8:00 a.m. Central Daylight Time on May 12, 2022.

If you wish to submit a question, you may do so in two ways. If you want to ask a question before the meeting, then beginning on April 13, 2022 and ending at 11:59 p.m. Eastern Time on April 27, 2022, you may log into www.proxyvote.com and enter your 16-digit control number. Questions pertinent to meeting matters which are submitted in advance will be answered during the Annual Meeting, subject to time constraints. Alternatively, if you want to submit your question during the meeting, log into the virtual meeting platform at www.virtualshareholdermeeting.com/PRO2022, type your question into the "Ask a Question" field, and click "Submit." Any questions pertinent to meeting matters that are submitted during the meeting will be answered during the Annual Meeting. You do not need to attend the Annual Meeting to vote.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares in advance either online or as detailed under "[Voting Instructions](#)" in this Proxy Statement.

In this Proxy Statement, the terms "PROS," the "Company," "we," "us" and "our" refer to PROS Holdings, Inc. together with its consolidated subsidiaries.

These materials were first sent or made available to stockholders on April 1, 2022.



PROS Holdings, Inc.

Notice of 2022 Annual Meeting of Stockholders

Virtual Meeting Site:

www.virtualshareholdermeeting.com/PRO2022

May 12, 2022

8:00 am Central Daylight Time

The Notice of Meeting, Proxy Statement and Annual Report on Form 10-K are available free of charge at proxyvote.com and at ir.pros.com.

Items of Business

- 1 Elect three Class III directors (Carlos Dominguez, Catherine Lesjak and Andres Reiner) to the board of directors of PROS Holdings, Inc. (Board of Directors or Board) to serve a three-year term until the annual meeting of our stockholders to be held in the year 2025 (2025 Annual Meeting);
- 2 Advisory vote on named executive officer compensation;
- 3 Ratification of appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2022; and
- 4 Transaction of other business that may properly come before the Annual Meeting.

Record Date

Close of business on March 22, 2022 (Record Date).

By Order of the Board of Directors,

/s/ Damian Olthoff

Damian Olthoff

General Counsel and Secretary

Houston, Texas

April 1, 2022

Your vote is important. Please vote.

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Our Values

At PROS, our mission is to help people and companies outperform, and our culture is at the heart of delivering on this mission. Centered on our core values of: We are Owners; We are Innovators; and We Care, our culture is built on our multi-decade commitment to innovating, leveraging the cutting edge of data science and putting our customers first. Consistent with these values, we publicly disclose information about our business across a number of important topics*, including corporate social responsibility (CSR) and environmental, social and governance (ESG) issues.

We are Owners

PROS was built on an unwavering commitment to the growth and success of our people and our customers. We are intensely focused on helping our customers compete and win in the digital economy by optimizing their shopping and selling experiences. Delivering on this promise, however, requires more than best-of-breed, innovative technology, deep expertise in AI and machine learning and years of proven experience, all of which we pride ourselves in. Our customers and people count on us to also maintain a thriving business, one that embraces the value of diversity, supports our local communities and respects each individual for their unique talents and gifts. This focus speaks to the "heart" of our company, our rich and deeply rooted culture centered around caring for the people, the businesses and the communities we serve.

We are Innovators

We received recognition from industry analysts for top products and innovation, including leadership positions in G2 for Pricing Software, the Gartner Magic Quadrant for CPQ and the IDC MarketScape for B2B Price Optimization and Management. We were awarded numerous industry awards recognizing our continued product innovation, including: Best in Biz Silver Award for 2021 Enterprise Product of the Year, Sales Software, MarTech's Breakthrough Award for Best Price Optimization Solution, and Stevie Awards' International Business Awards Silver Stevie for our Price Optimization and Management Solutions.

We Care

About our Employees. We believe that diversity and inclusion are key to driving true innovation. We are committed to continuing to hire and promote inclusively, increasing diverse representation and continuing to foster an inclusive culture that gives every employee the opportunity to realize their full potential. We also believe that an important part of our employee experience at PROS is our work environment and our commitment to employee well-being and development. Our commitment to caring about our employees can also be seen in our most recent global employee engagement survey conducted in 2021. Based on these responses, we were certified in all eligible locations as a great place to work.



Great Place to Work
Certification™

About our Communities. Employees participating together in community outreach projects creates a culture that embraces inclusion and belonging, fosters a collaborative sense of purpose that creates a positive societal impact and further brings our corporate values to life. Our employees volunteer their time to numerous social programs that are aimed at addressing a range of issues in the areas of homelessness, education, empowerment, crisis response and conservation.

About our World. We believe success is not just measured in dollars and cents; it is also measured in the impact we have on our communities. PROS continues to initiate sustainable activities that make a positive impact on the people and the environment around us. We are committed to understanding and minimizing our own environmental footprint. Our approach focuses on energy, emissions, and waste across our operations including the PROS Platform and in our corporate facilities.

*Company goals are aspirational and may change. Statements regarding the Company are not guarantees or promises that they will be met. Content available at websites and in documents referenced in this section are not incorporated herein and are not part of this Proxy Statement. For more information regarding CSR and ESG at PROS, including our diversity and inclusion programs and metrics as well as our environmental stewardship activities, please visit ir.pros.com.

Proxy Statement Summary

This summary highlights selected information for PROS Holdings, Inc. (together with its consolidated subsidiaries, PROS, the Company, we, us or our) in this Proxy Statement. You should read this entire Proxy Statement carefully before voting.

2022 Annual Meeting of Stockholders

Virtual Meeting Site:

virtualshareholdermeeting.com/PRO2022

Date: May 12, 2022

Time: 8:00 am Central Daylight Time

The Record Date for the Annual Meeting is March 22, 2022.

Only stockholders of record at the close of business on this date are entitled to vote at the Annual Meeting.

Proposal	Recommendation of the Board
1 Election of Class III Directors	FOR <i>each of the nominees</i>
2 Advisory Vote to Approve Executive Compensation	FOR
3 Ratification of appointment of Independent Registered Public Accounting Firm.	FOR

How to Vote

Please vote your shares promptly to ensure the presence of a quorum at the meeting. You may vote online prior to the meeting by visiting proxyvote.com and entering the control number found in your Notice of Internet Availability of Proxy Materials, or, if you requested printed copies of the proxy materials, by phone or by mail. You may also vote during the Annual Meeting by visiting www.virtualshareholdermeeting.com/PRO2022, entering the control number and following the instructions. For more detailed information, see the section entitled *Voting Instructions*.

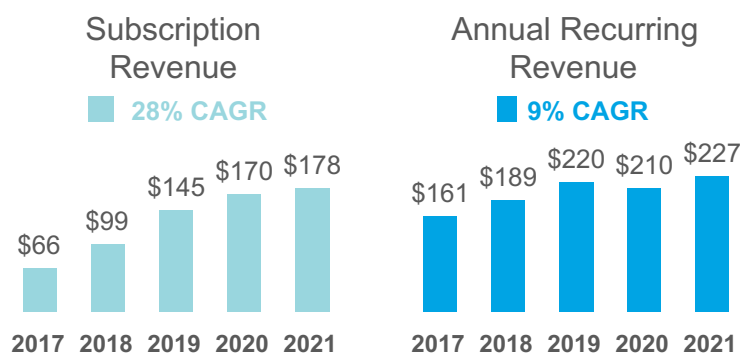
Materials to Review

We are mailing to our stockholders a Notice of Internet Availability of Proxy Materials (Notice) instead of a paper copy of this proxy statement (Proxy Statement) and our Annual Report to Stockholders for the Year Ended December 31, 2021 (2021 Annual Report). The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of our proxy materials, including this Proxy Statement, our 2021 Annual Report and a form of proxy card or voting instruction card.

Business Highlights

In 2021, we continued to deliver on our mission of helping people and companies outperform, despite the disruptions of COVID on our business and our communities, by enabling our customers to optimize their shopping and selling experiences and compete in the digital economy. By continuing to execute on our strategy, we grew our subscription revenue by 4% and improved our cash flow metrics while managing the continuing impact of the COVID-19 pandemic. For more information on our financial performance, please see our [2021 Annual Report](#). Notable highlights for the year include:

- Improved customer gross revenue retention rate by more than 500 basis points, exceeding 93%, returning to our pre-COVID level.
- Significantly improved cash flow as net cash used in operating activities for the year ended December 31, 2021 was \$30.8 million less, or an improvement of 62%, than in the prior year, primarily achieved through a combination of strong customer retention rates and operating efficiencies, in spite of the continuing impact of COVID on the travel industry.
- Announced next-generation intelligent SaaS editions for the PROS Platform, including PROS Smart Price Optimization and Management and PROS Smart Configure Price Quote.
- Completed the acquisition of EveryMundo LLC, a digital offer marketing pioneer that enables more direct customer engagement through dynamic webpages, offer visualization and digital ad campaigns, accelerating our vision to optimize every shopping and selling experience.
- Achieved a 2020-2021 Great Place to Work-Certified™ company designation for second year in a row, extending the certification to include all eligible countries: Australia, Bulgaria, France, Germany, United Kingdom and United States.
- Received recognition from industry analysts and numerous industry awards for top products and innovation, including leadership positions in G2 for Pricing Software, the Gartner Magic Quadrant for CPQ and the IDC MarketScape for B2B Price Optimization and Management; PROS was the only vendor to receive leadership rankings in both Price Optimization and Management and CPQ industry assessments.



Annual Recurring Revenue (ARR) is one of our key performance metrics and should be viewed independently of revenue or other similar GAAP measures. ARR is defined, as of a specific date, as contractual recurring revenue, including contracts with a future start date, together with annualized overage fees incurred above contracted minimum transactions, and excluding perpetual and term license agreements recognized as license revenue in accordance with GAAP. Gross revenue retention reflects our ability to retain existing customers and excludes any existing customer upsells.

None of these accomplishments would have been possible without our team and culture, defined by our key values of:

- We are Owners;
- We are Innovators; and
- We Care (for each other, our customers, our communities and our world).

Our culture and values can be seen in our hybrid work model, our pandemic response and employee wellness initiatives. We emphasize work location and schedule flexibility, based on a blend of what makes sense for each employee, their team and our business, which we believe is the "future of work." We take an integrated approach to helping our employees manage their work and personal responsibilities, with a strong focus on employee physical and mental health. Recognizing that working in a hybrid environment across our global company is a relatively new way to interact, we offer company-wide initiatives to assist our employees managing through the changes and maintaining productivity. These initiatives have included, among other things, mental and physical health programming, periodic paid recharge days and "Work Well Wednesdays" with limited scheduled meetings to help combat video conference fatigue. We also offer our employees a trusted time off program, allowing our employees to take the time they need away from work, at their discretion, while still meeting business requirements. As we look forward, we created a wellbeing innovation team to help further develop a wellbeing program designed to meet the needs of our employees globally. For more information on our culture and values, please visit ir.pros.com.

EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program is designed with sound compensation policies and practices that align the compensation of our named executive officers (NEOs) with our stockholders' interests. Our Compensation and Leadership Development (CLD) Committee believes that a well-functioning executive compensation program should reward executives for Company out-performance and that incentives should pay out at reduced levels or zero when Company performance is not achieved. Upon review, the CLD Committee (and our third party compensation consultants) have concluded that our executive compensation program is well aligned with these pay for performance tenets.

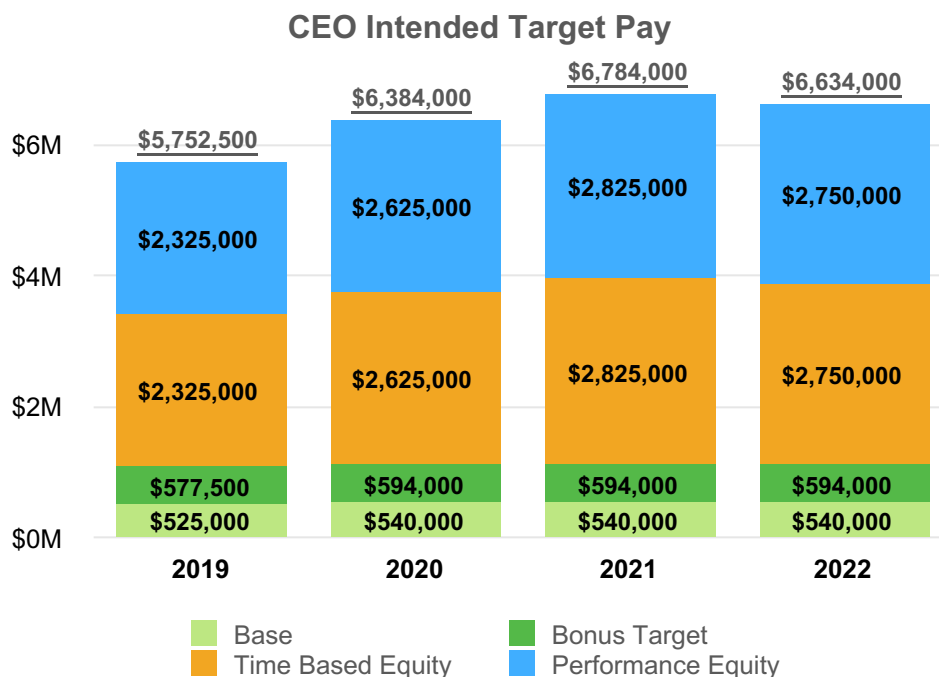
The overall design of our compensation program, consisting of three primary components (base salary, cash incentive and long-term equity awards), remained consistent year-over-year. Our CLD Committee made no changes to our NEOs' base salaries or cash incentive targets for 2021 as compared to 2020. For the 2021 NEO cash incentive program, the CLD Committee focused on improving profitability by adding improvement in Company free cash flow along with improvement in ARR, a core top-line Company metric. Half of our CEO's target equity grant value was delivered in performance-based Market Stock Units (MSUs) and half in time-based RSUs. Recognizing that in the midst of the COVID-19 pandemic, establishing multi-year Company performance targets for long-term equity awards was challenging, the CLD Committee chose to use relative stockholder return as the performance metric for the performance-based equity awards granted in 2021, where attainment is based on the Company's total stockholder return (TSR) versus the return of the Russell 2000 Index over a three-year performance period.

The Company's 2021 bonus plan performance goals were established in February 2021 and no adjustments or discretion were applied. The Company's performance against these preset goals led to a cash bonus payout of 115.4% of target. The above target bonus payout was aided by two strong performance indicators in 2021: solid improvement year-over-year in our free cash flow, which had a 40% weighting in the 2021 cash bonus plan, and a return to a customer gross retention rate well above 90%, which impacted our ARR performance, which had a 60% weighting in the plan.

The CLD Committee increased the target equity grant value for our NEOs in January 2021 in response to material increases in market equity compensation benchmarks and to continue to strongly align our NEOs' compensation with stockholders. These \$100,000 to \$500,000 increases in target equity award amounts, combined with the accounting fair market value calculation for market stock units (MSUs) drove the increases in year-over-year equity compensation values presented in the [Summary Compensation Table](#). However, the 2021 MSUs, which have a three-year performance period, are currently tracking for a 0% of target earnout, and for any 2021 MSUs to be earned, the Company's TSR must outperform the Russell 2000 Index over the remaining performance period.

Company Performance and CEO Pay

Our CEO's target compensation has remained similar over multiple years and decreased for 2022.



The economic impact of the pandemic continued to adversely affect our CEO's actual compensation. Including restricted stock unit (RSU) equity awards, which change in value based on share price movement, more than 92% of our CEO's 2021 total target compensation is at risk. While our CEO compensation reported in the [Summary Compensation Table](#) increased in 2021, compensation should be viewed with a multi-year lens, as performance-based equity is reported in the [Summary Compensation Table](#) at grant date fair value, but the compensation actually received depends on multiple factors, including our actual performance over the multi-year performance period and the share price at vesting and ultimate sale. For example, our CEO did not receive 48% of his target compensation for 2020, as his 2020 performance-based equity was not earned, and the 2020 bonus was below target. Our CEO's 2021 performance-based equity is currently not on pace to be earned, and if this performance continues over the remainder of the 3-year performance period, our CEO will not receive 40% of his target compensation for 2021.

Our stock experienced unique headwinds from market forces in 2021. Our total stockholder return for 2021 was -32% and -42% over a two-year period, and was affected by **both** the travel and technology industries:

Travel Impact The overall downturn in the travel industry due to the COVID-19 pandemic impacted our stock. For example, the ARCA Airline Index (NYSE: AXGAL) had a -26% two-year return through December 31, 2021. Sabre Corporation and Amadeus, technology providers that directly compete against a portion of our airline products, had a -61% and -17% two-year return, respectively, through December 31, 2021.

Tech Impact In mid-2021, technology and SaaS stocks began to be adversely impacted by inflation and other economic headwinds. For example, the WisdomTree Cloud Computing Fund (NASDAQ: WCLD) had a -7% return for the second half of 2021. More notably, from our peer group used for benchmarking our CEO's 2021 compensation, three-fourths of the companies that remained public at the end of 2021 had negative shareholder return in 2021.

Our profitability metric significantly improved in 2021 and our CEO earned an above target cash incentive.

2021 Cash Incentive Our CEO's 2021 bonus was earned per the formula at 115.4% of target due to (a) free cash flow improving 62% year-over-year, well above the preset target of 42% improvement, and (b) ARR improving year-over-year, slightly above the minimum preset threshold target. Our CEO has earned 70% of his aggregate target bonus for 2020 and 2021 combined.

Our CEO's performance-based equity awards, representing a significant amount of his pay, are operating as designed and align our CEO's actual compensation to Company performance and stockholders' interests. The multi-year impact of COVID-19 on our business has significantly impacted our CEO's compensation. For 2020, our CEO earned 4% of his targeted performance-based compensation. For 2021, if the 2021 MSUs are not earned as described below, our CEO would earn 20% of his targeted performance-based compensation.

<i>Incentive Award</i>	<i>Performance</i>
<i>2019 Equity</i>	PRSUs awarded in 2019 (2019 PRSUs) were earned per the formula, at 79% of target due to total recurring revenue performance below target in 2020. These awards, earned below target, vested in early 2021.
<i>2020 Equity</i>	PRSUs awarded in 2020 (2020 PRSUs) were not earned per the formula, due to total recurring revenue performance below target in 2021. Despite no actual compensation received by our CEO from this award, this award reflects \$2.1 million of Mr. Reiner's compensation in the 2020 row of the Summary Compensation Table .
<i>2021 Equity</i>	MSUs awarded in 2021 (2021 MSUs) are earned based on our TSR from January 1, 2021 through December 31, 2023 as compared to the Russell 2000 Index. This award reflects \$3.3 million of Mr. Reiner's compensation in 2021. However, if the performance period had ended on December 31, 2021, no actual compensation would have been earned because our TSR relative to the Russell 2000 Index was below the minimum preset target threshold at that time. As a result of this underperformance, our TSR must outperform the Russell 2000 Index over the remaining two years of the performance period for any 2021 MSUs to be earned.

Our CEO's personal interests are aligned with stockholders' interests. Our CEO holds a significant amount of PROS stock which was accumulated over his 23 years with PROS. While the number of shares of PROS stock our CEO owns increased by 16% in 2021 due to vesting of certain equity awards, the aggregate value of his PROS stock declined 21% due to PROS stock price declining in 2021. In addition, the value of his unvested equity awards are directly impacted by our stock price performance. For more information on our CEO's stock ownership and value of his unvested equity awards, see [Security Ownership](#) and [Outstanding Equity Awards at Fiscal Year End](#) table.

Our CEO compensation plan is effective and operating as designed, and our CEO's interests are aligned with stockholders' interests.

For a detailed discussion of our executive compensation program, see [Compensation Discussion and Analysis](#).

CORPORATE GOVERNANCE

Our Board and corporate governance structure is designed to assure that the long-term interests of our stockholders are being served. To satisfy the Board's duties, directors are expected to take a proactive approach to overseeing our CEO and other senior management to ensure that PROS is committed to business success while maintaining high ethical standards.

Board and Committee Oversight in 2021

2021 Focus Areas	Typical Board Meeting Process	
<ul style="list-style-type: none"> ✓ Strategy and M&A, including the acquisition of EveryMundo ✓ Business Performance ✓ Human Capital Management ✓ Enterprise Risk Management ✓ Cybersecurity ✓ Impact of COVID-19 ✓ Talent Acquisition, Retention and Development ✓ Oversight of ESG efforts ✓ Diversity and Inclusion ✓ Director Refreshment 	Before the meeting	Prep meetings with management, auditors and outside advisors
	Day 1	Board committee meetings and full Board meeting (including reports from each committee chair)
	Day 2	Full Board meeting, followed by an executive session
	After the meeting	Management follow up to discuss and respond to Board requests

Audit Committee

2021 Focus Areas & Select Activities

- ✓ Reviewing management's proposed public disclosures and investor communications and recommending enhancements
- ✓ Overseeing the detailed audit plan and auditor budget
- ✓ Monitoring critical accounting and financial reporting matters
- ✓ Reviewing annual internal control assessments with internal and external auditors
- ✓ Reviewing with management and external advisors the status of open tax matters and future tax strategies
- ✓ Reviewing with management the annual risk assessment
- ✓ Cybersecurity

Compensation and Leadership Development (CLD) Committee

2021 Focus Areas & Select Activities

- ✓ Human Capital Management
- ✓ Monitoring COVID-19 impact on existing programs
- ✓ Updating peer group and developing NEO compensation program for 2022
- ✓ Reviewing acquisition, retention and succession plans for critical talent
- ✓ Monitoring equity plan usage
- ✓ Administering the Company's equity plans
- ✓ Reviewing and approving inducement grants for the acquisition of EveryMundo

Nominating and Corporate Governance (NCG) Committee

2021 Focus Areas & Select Activities

- ✓ Director refreshment, including identifying, recruiting and onboarding a new director
- ✓ Reviewing director Committee assignments and Committee leadership
- ✓ Overseeing annual performance evaluation of Board, Committees and individual directors
- ✓ Reviewing Code of Conduct, Governance Guidelines and Bylaws

Diverse Board Representation

33%

Women

44%

<3 years tenure

66%

Women and/or from
underrepresented
communities

Composition of the Board of Directors

The Board is led by our independent non-executive chairman, Mr. Russell. The Board's current preferred governance structure is to have an independent director serve as chairman. We believe the current structure provides strong leadership for our Board and ensures independent oversight over the Company, while also positioning our Chief Executive Officer (CEO) as the leader of the Company.

The Board has determined that the following directors have no relationships with us that would interfere with the exercise of independent judgment in carrying out his or her responsibilities as a director, and as such are "independent" under NYSE listing standards and federal securities laws as of December 31, 2021: Messrs. Dominguez, Jourdan, Petersen, Russell, and Williams and Meses. Hammoud, Lesjak and Woestemeyer. All Board committees are comprised entirely of independent directors. Ms. Mariette M. Woestemeyer, a Class I director, has informed the Board of her intention to retire from the Board effective as of the Annual Meeting.

The Board has standing Audit, CLD and NCG Committees. Each Committee has a written charter, which can be found under the *Investor Relations* section of our website at ir.pros.com. Our Board has determined that each member of the Audit Committee qualifies as "financially literate" within the rules of the NYSE and that three members of the Audit Committee, Messrs. Williams and Petersen and Ms. Lesjak, qualify as an Audit Committee financial expert within the meaning of the SEC regulations. Each member of our CLD Committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code (Code). The following table provides additional information regarding our director nominees:

Name	Age	Director Since	Class	Independent	AC	CC	NCG	Other Public Company Boards
Carlos Dominguez	63	2020	III	Yes	M			Sprinklr; The Hartford
Catherine Lesjak	63	2020	III	Yes	M		M	General Electric; SunPower
Andres Reiner	51	2010	III	No				Paylocity

Corporate Governance Practices

The Board of Directors has adopted corporate practices and policies that promote excellence in corporate governance. Our corporate governance practices are designed to assure that the long-term interests of stockholders are being served. Key corporate governance policies and practices include:

Independent Oversight	<ul style="list-style-type: none">• All non-employee directors are independent.• All Board committees are comprised entirely of independent directors.• Our Board holds regular executive sessions of independent directors.• Our Board has an independent non-executive Chairman.• Charters of each of the committees of the Board clearly establish the committees' respective roles and responsibilities.
Stock Ownership Guidelines	<ul style="list-style-type: none">• Strong ownership guidelines for directors and NEOs. See Compensation Discussion and Analysis - Governance and Other Considerations below.
Accountability	<ul style="list-style-type: none">• Clawback policy that applies to all cash and equity awards.• Anti-hedging, anti-short and anti-pledging policies.• Our director resignation policy requires director nominees who do not receive at least 50% of the stockholder votes "for" re-election to tender their resignation.• Directors may not serve on more than four other public company boards; directors who serve as CEOs should not serve on more than two other public company boards.
Ethics	<ul style="list-style-type: none">• Code of Business Conduct and Ethics annually affirmed by all employees.• Reporting hotline available to all employees, and PROS Audit Committee has procedures in place for the anonymous submission of employee complaints.
Stockholder Communication	<ul style="list-style-type: none">• We proactively engage with stockholders throughout each year, including at earnings conference calls, investor road shows and investor days, as well as at individual stockholder meetings. We also welcome stockholders to attend our annual OutPerform event for customers and prospects.• Annual "Say-on-Pay" advisory vote on our executive compensation program.
Board Refreshment	<ul style="list-style-type: none">• Reviewed regularly, with 4 new directors added since 2020.
Board Performance Evaluations	<ul style="list-style-type: none">• Annual board, committee and individual director performance evaluations, led by our non-executive Chairman.
Diversity	<ul style="list-style-type: none">• 33% of our Board of Directors are women and 44% are from diverse ethnicities.
Education	<ul style="list-style-type: none">• Directors regularly attend continuing education events related to board governance best practices, including conferences and webinars provided by the NYSE, NACD and Equilar, among others.
Succession Planning	<ul style="list-style-type: none">• Annual review of executive succession planning.

More information regarding our corporate governance is available under the Investor Relations section of our website at ir.pros.com, which also includes our corporate governance policies, our Code of Business Conduct and Ethics, and the charter for each committee of the Board.

Risk Management

The Board oversees our risk management process and programs. Management reviews the process, including identification of key risks and steps taken to address them, with the full Board at least on an annual basis. The Audit Committee, the CLD Committee and the NCG Committee assist the Board in discharging its oversight duties. The Audit Committee considers risks related to the subject matters enumerated in its charter, including risks relating to internal controls, disclosure, financial reporting and cybersecurity.

The CLD Committee reviews risks related to the subject matters enumerated in its charter, including risks associated with our compensation programs. Similarly, the NCG Committee considers risks related to the subject matters for which it is responsible as identified in its charter, including risks associated with corporate governance. Accordingly, while each of the three committees contributes to the risk management oversight function by assisting the Board in the manner outlined above, the Board remains responsible for the oversight of our risk management.

ESG Oversight

The Board oversees our ESG programs, including ongoing engagement with senior executives on key matters including cybersecurity, diversity, sustainability and governance practices. Our Chief People Officer leads our social investments and champions our commitment to ESG performance and transparency. The Audit Committee oversees our strategies and initiatives related to cybersecurity. The NCG Committee oversees our policies and programs concerning ESG matters, including review of our Sustainability Policy in early 2022. The CLD Committee oversees the development and implementation of our practices, strategies and policies used for recruiting, managing and developing employees (human capital management). These practices, strategies and policies focus on diversity and inclusion, leadership development, workplace environment and safety, and corporate culture. In addition, the full Board receives updates and progress on ESG matters from management, and Mr. Jourdan meets with our Chief People Officer outside of regularly scheduled Board meetings to review ESG matters. For more information on ESG matters, see our ESG Report (available at: ir.pros.com). Our ESG Report is not incorporated by reference into this proxy statement.

Cybersecurity Oversight

Our Board oversees the senior management team's efforts to address cybersecurity and data privacy risks, and annually reviews cyber risk mitigation and transfer efforts, including review of our cybersecurity insurance coverage. To provide even more focused oversight and guidance as part of our continuing evolution of our cybersecurity program, the Audit Committee amended its charter in 2021 to explicitly add oversight of issues related to cybersecurity risks. The Audit Committee annually reviews our overall risk profile with respect to cybersecurity matters. The Audit Committee also reviews quarterly reports by our Head of Information Security and Cyber Security on a range of cybersecurity activities, including cybersecurity threats and risks, security effectiveness, compliance efforts (such as the results of annual cybersecurity training required for all employees), benchmarking, incident response and planned initiatives. Ms. Hammoud also meets with our Head of Information Security and Cyber Security outside of regularly scheduled Board meetings to review cybersecurity matters.

Board Governance

Our non-executive chairman, among other responsibilities, oversees the planning of the annual Board calendar, and, with our CEO, in consultation with the other directors, schedules and sets the agenda for meetings of the Board and leads the discussion at such meetings, serves as a liaison between the CEO and the independent directors, leads executive sessions of our Board, and performs such additional duties and responsibilities as requested by the Board from time to time. Executive sessions of the independent directors of the Board are scheduled during each regularly scheduled in-person Board meeting. Our non-executive chairman provides feedback to our CEO, as needed, promptly after the executive session.

Board Performance Evaluation Process. Our Board recognizes that a robust and constructive performance evaluation process is an essential component of Board effectiveness. Our Board conducts annual performance evaluations that are intended to determine whether the Board, each of its committees, and individual Board members are functioning effectively, and to provide them with an opportunity to reflect upon and improve processes and effectiveness. Our NCG Committee oversees this annual process, which is led by our non-executive chairman. As part of this process, each Board member completes written assessments of Board and Committee effectiveness and performance, and our non-executive chairman conducts one-on-one discussions with each Board member to obtain their assessment of the effectiveness and performance of individual Board members. A summary of the results of these assessments are presented to the NCG Committee identifying any themes or issues that have emerged. The results are then reported to the full Board, which considers the results and ways in which Board processes and effectiveness may be enhanced. Our Board is also implementing an additional process in 2022 to have Board members complete written assessments on individual Board member effectiveness and performance.

Board Refreshment. Our Board recognizes that regularly evaluating Board refreshment is also an important component of Board effectiveness. The NCG Committee and the Board are focused on identifying individuals whose skills and experiences will enable them to effectively contribute to the Board. Following the annual Board performance evaluation described above, and as part of its consideration of director refreshment, the NCG Committee reviews the appropriate skills and characteristics required of Board members such as business experience, viewpoints and personal background, and diversity of skills in technology, finance, marketing, international business, financial reporting and other areas. The NCG Committee also continually evaluates committee appointments (or membership) and leadership and opportunities for effective rotation. For example, we currently plan for Ms. Lesjak to assume the role of Chair of the Audit Committee following the Annual Meeting. Mr. Williams, the current Audit Committee chair, has served in this role for the past 14 years. He will continue to serve on the Audit Committee. Additionally, due to the global nature of our business and our customers, the Board believes it is important that the Board include individuals with diversity of race, ethnicity, gender, sexual orientation, age, education, cultural background, and professional experiences, and those factors are considered in evaluating board candidates in order to provide practical insights and diverse perspectives. Based on these assessments, the Board has added four new directors since 2020, including our newest Board member, Mr. Jourdan who was appointed following the recommendation of the NCG Committee in June 2021. For more information on the skills and experience of Mr. Jourdan, see Our [Board of Directors](#), and for more information on the qualifications, skills and attributes of our Board nominees, see [Director Qualifications, Skills and Attributes](#) in this Proxy Statement.

Accountability

Code of Business Conduct and Ethics. Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors and employees. Our Code of Business Conduct and Ethics is available under the "Investor Relations" section of our website at ir.pros.com.

Director Resignation Policy. Our Board has adopted a director resignation policy. Under this policy in an uncontested election of directors, any nominee who receives a greater number of votes "withheld" from his or her election than votes "for" such election must promptly tender his or her resignation to the NCG Committee. The NCG Committee will promptly consider all relevant factors including, without limitation, (a) the stated reasons why votes were withheld from such director; (b) any alternatives for curing the underlying cause of the withheld votes; (c) the tenure and qualifications of the director; (d) the director's past and expected future contributions to the Company; (e) our Corporate Governance Guidelines; and (f) the overall composition of the Board, including whether accepting the resignation would cause the Company to fail to meet any applicable SEC or NYSE requirement. The NCG Committee will recommend to the qualified independent directors the action to be taken with respect to such offered resignation, and the qualified independent directors will act on the NCG Committee's recommendation no later than 90 days following the date of the stockholders' meeting in which the election occurred. If a majority of the members of the NCG Committee received a greater number of votes "withheld" from their election than votes "for" their election at the same election, then the remaining qualified independent directors on the Board will consider the matter directly or may appoint a committee of the Board amongst themselves solely for the purpose of considering the tendered resignations and making the recommendation to the Board whether to accept or reject them.

Stock Ownership Guidelines. Our Board has adopted stock ownership guidelines for our NEOs and directors that are designed to align our NEOs' and directors' interests with our stockholders' interests by promoting long-term share ownership, which reduces the incentive for excessive short-term risk taking and further increases our NEOs' and directors' alignment with stockholder interests. These guidelines require our CEO to hold shares of our stock worth at least six times his annual salary, other NEOs to hold shares of our stock worth at least two times their annual salary, and each non-employee director to hold shares of our stock worth at least five times the director's annual retainer. New directors are expected to achieve their ownership threshold within six years after joining our Board. New NEOs are expected to achieve their ownership threshold within five years from the date of hire or promotion. As of December 31, 2021, each of our NEOs and directors were in compliance with the applicable guidelines.

Prohibition Against Hedging, Short-Sale, Pledging and Repricing Underwater Stock Options. We have implemented both anti-hedging and anti-pledging policies, as well as a prohibition on participating in short sales of our stock, to ensure that our executives' stock remains at-risk. Our Insider Trading Policy, which applies to all employees, including officers and non-employee directors, specifically prohibits short sales of our securities, transactions in puts, calls or other derivative securities involving our stock, hedging or monetization transactions (including but not limited to zero-cost collars, prepaid variable forwards and equity swaps), and holding our securities in a margin account or pledging our securities as collateral for a loan. Our Amended and Restated 2017 Equity Incentive Plan (2017 Plan) also prohibits repricing, repurchase or exchange of underwater stock options without stockholder approval.

Compensation Committee Interlocks and Insider Participation. No member of our CLD Committee and none of our executive officers has any relationships that would constitute an interlocking relationship with executive officers and directors of any other entity.

Communication with Our Board

Stockholders or interested parties who wish to communicate with members of our Board may send correspondence to them in care of our Corporate Secretary at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. Such communication will be forwarded to the intended recipient(s). We currently do not intend to have our Corporate Secretary screen this correspondence, but we may change this policy if directed by our Board due to the nature or volume of the correspondence. Communications that are intended specifically for the non-executive chairman of the Board may also be sent to the street address noted above, to the attention of the non-executive chairman of the Board.

Role of the Board of Directors

Our Board oversees our CEO and other senior management to assure that the long-term interests of stockholders are being served. Our Board currently consists of nine members, divided into three classes, with each class serving for a staggered three-year term. The term of office of one class of directors expires each year in rotation so that one class is elected at each annual meeting for a full three-year term. Our Board believes that our classified board structure aligns the Board with the Company's long-term interests and allows for stable and informed oversight, providing institutional perspective both to management and other directors. Our Board has adopted formal Corporate Governance Guidelines to ensure that it has the practices in place to review and evaluate our business operations as needed, to make decisions independent of our management, and to align the interests of directors and management with the interests of our stockholders.

In 2021, our Board met 4 times and acted via unanimous written consent 3 times, the Audit Committee met 10 times and acted via unanimous written consent 2 times, the CLD Committee met 5 times and acted via unanimous written consent 4 times, and the NCG Committee met 4 times and acted via unanimous written consent one time. Each current director who served as a director in 2021 attended at least 75% of the meetings of our Board and the Committees on which he or she served during 2021. The Board encourages all directors to attend annual meetings of the stockholders. All incumbent directors, except for Mr. Jourdan who joined the Board in June 2021, attended the 2021 meeting of stockholders which was held virtually.

Audit Committee

The Audit Committee assists the Board in oversight and monitoring of:

- our accounting and financial reporting processes and the audits of our financial statements;
- our independent auditors, including their qualifications, engagement, performance and independence;
- the results of the annual audit and the independent auditor's review of our annual and quarterly financial statements and reports, including discussions with independent auditors without management present;
- press releases regarding our financial results and any other financial information and earnings guidance provided;
- matters that have a significant impact on our financial statements;
- the scope, adequacy and effectiveness of our internal control over financial reporting and disclosure controls;
- our internal auditors;
- tax matters and tax strategies;
- risk management, including financial accounting, investment, capital structure, tax, business continuity and cybersecurity matters;
- procedures for complaints for employees to submit concerns anonymously about questionable accounting, internal control or auditing matters; and
- all material related-party transactions that require disclosure.

Compensation and Leadership Development Committee

The CLD Committee discharges the responsibilities of our Board relating to the compensation and benefits for our executive officers and directors, including:

- reviewing and approving the compensation arrangements for our executive officers and directors;
- reviewing and approving corporate performance goals and objectives relevant to such compensation;
- administering our equity incentive plans;
- reviewing our compensation discussion and analysis and CLD Committee report required by the rules of the SEC;
- engaging with a third-party independent advisor to assist in evaluating our executive compensation program;
- providing oversight on the overall leadership development program throughout the Company; and
- overseeing succession planning for executive officers jointly with the NCG Committee.

Nominating and Corporate Governance Committee

The NCG Committee assists the Board in:

- identifying qualified candidates to become directors and considering the nomination of our incumbent directors for reelection;
- evaluating stockholder nominations of candidates for election to our Board;
- reviewing our general policy relating to selection of director candidates and members of committees of our Board, including an assessment of the performance of our Board;
- reviewing and making recommendations to our Board regarding corporate governance principles and policies;
- reviewing periodically our environmental and corporate social responsibility policies and practices; and
- overseeing succession planning for executive officers jointly with the CLD Committee.

The NCG Committee has the responsibility for establishing the criteria for recommending which directors should stand for reelection to our Board and the selection of new directors to serve on our Board. Although the NCG Committee has not formulated any specific minimum qualifications for director candidates, it has determined desirable characteristics including, but are not limited to, business experience, mature judgment, leadership, personal and professional ethics, diversity and integrity. We do not have a formal policy with respect to consideration of diversity in identifying director nominees; however, in the process of selecting a director nominee, the NCG Committee assesses backgrounds, diversity and expected contributions of the individuals to the Board.

OUR BOARD OF DIRECTORS

Our Board consists of a diverse group of highly qualified leaders in their respective fields. Most of our directors have senior leadership experience at major domestic and multinational technology companies. In these positions, they have gained significant and diverse experience, including strategy, finance, sales and marketing, risk management, public company financial reporting, compliance and leadership development. They also have public company experience serving as executive officers, or on boards of directors and board committees, and have an understanding of corporate governance practices and trends. The Board believes the experience, expertise and other attributes of our directors provide PROS with a diverse range of perspectives to provide oversight and represent the best interests of our stockholders. Among our nominees for election to the Board and continuing directors, three self-identify as women and three self-identify as individuals from underrepresented communities (meaning, an individual who self-identifies as Black, Hispanic, Latino, Asian, Pacific Islander or Native American).

Directors and Director Nominees



William Russell

*Non-Executive Chairman of the Board
NCG Committee Chairman
CLD Committee*

Mr. Russell, 70, serves on the board of directors at Accesso Technology Group PLC (OTCMKTS:LOQPF).

Mr. Russell previously served in a variety of roles on both public and private technology company boards and previously served on the boards of SABA Software, Inc. (from January 2010 to March 2015), webMethods and Cognos. Mr. Russell held a number of senior-level roles in his more than 20 years at Hewlett-Packard, including Vice President and General Manager of the multi-billion-dollar Enterprise Systems Group. Mr. Russell holds a Bachelor of Science in Computer Science from Edinburgh University and has completed several executive development programs from institutions including Harvard Business School and INSEAD.

As a result of leading Hewlett-Packard's substantial software business and his public company board experience, Mr. Russell brings to the Board his broad knowledge of large-scale software operations, including sales, marketing, development, finance, strategic planning and leadership, and corporate governance.



Andres D. Reiner

*(Nominee)
President and
Chief Executive Officer*

Mr. Reiner, 51, serves as our President and Chief Executive Officer, a position he has held since November 2010.

From 1999 to 2010, Mr. Reiner held a series of positions with successively increasing responsibility, including Senior Vice President of Product Development and Executive Vice President of Product and Marketing. Prior to becoming our President and Chief Executive Officer, he was responsible for global marketing and alliances, product management, science research, and development of our next generation software products. Mr. Reiner was also instrumental in our transition to a cloud business. Mr. Reiner has served on the board of directors of Paylocity Holding Corporation (NASDAQ: PCTY) since September 2014 and serves on their Compensation and Nominating and Governance committees.

Mr. Reiner holds a Bachelor of Science in Computer Science with a minor in Mathematics from the University of Houston.

As a result of his more than 20 years of experience with PROS, Mr. Reiner has familiarity with all of our key day-to-day operations, in-depth experience in and knowledge of the development of our products, services and the markets in which we compete, and has leadership, management, strategy, corporate development, risk management and operating experience.



Carlos Dominguez
(Nominee)
 Audit Committee

Mr. Dominguez, 63, has served as Vice-Chairman and Chief Evangelist of Sprinklr, Inc. (NYSE: CXM) since December 2019. He has served as a director of Sprinklr since 2011.

He served as President of Sprinklr from 2015 to 2019 and as Chief Operating Officer from 2015 to 2018. He also serves on the board of directors of The Hartford Financial Services Group, Inc. (NYSE: HIG) and serves on the Compensation & Management Development and Nominating & Corporate Governance committees of Hartford's board. He also served on the board of directors of Medidata Solutions, Inc. (NASDAQ: MDSO) from 2009 until its acquisition by Dassault Systemes in 2019. From 1992 to 2015, Mr. Dominguez held a variety of roles at Cisco Systems, Inc., including SVP, Worldwide Service Provider Operations (2004 to 2008) and SVP, Office of the Chairman and CEO (2008 to 2015).

Mr. Dominguez brings to the Board his extensive business and leadership experience in technology and software companies, including experience in sales, marketing, strategy, governance, compensation planning and mergers and acquisitions.



Raja Hammoud
 CLD Committee

Ms. Hammoud, 50, has served as Executive Vice President of Products at Coupa Software Incorporated (NASDAQ: COUP) since 2019.

She served as Senior Vice President of Products at Coupa from 2017 to 2019 and as Vice President of Product Marketing and Management from 2014 to 2017. Prior to joining Coupa, Ms. Hammoud directed product marketing for Adobe System's (NASDAQ: ADBE) business process management business and held a product development management role at webMethods. Ms. Hammoud earned a B.S. in Computer Science with high distinction from the American University of Beirut, Lebanon.

Ms. Hammoud brings to the Board her extensive technology industry experience, including her experience in product marketing, software development and product portfolio strategy.



Leland T. Jourdan
 CLD Committee

Mr. Jourdan, 64, retired from Chevron (NYSE: CVX) in 2021, after having served as Chevron's Chief Diversity and Inclusion Officer from 2018 to 2021 and Senior Management Sponsor from 2015 to 2018. In his more than 18-year career at Chevron, Mr. Jourdan served in a variety of management roles, including as Vice President, Commercial and Business Development for each of the IndoAsia and Asia South regions.

Prior to Chevron, Mr. Jourdan served in management, business development, trading and engineering roles at El Paso Energy, PG&E and Dominion Energy. As a graduate of the US Military Academy at West Point, Mr. Jourdan was commissioned as an officer in the US Army, obtaining the rank of Captain prior to entering the private sector. Mr. Jourdan currently serves on the board of SEARCH Homeless Services, a non-profit organization.

An author and frequent public speaker, Mr. Jourdan brings to the Board his substantial international commercial and business development, mergers and acquisitions, risk management and diversity, equity and inclusion experience at a global, Fortune 10 company.



Catherine Lesjak
(Nominee)
 Audit Committee

Ms. Lesjak, 63, retired from HP, Inc. (NYSE: HPQ), formerly Hewlett-Packard Company (HP) in March 2019, serving as HP's interim Chief Operating Officer from 2018 to 2019, after having served as Chief Financial Officer from 2007 to 2018.

In addition, Ms. Lesjak served as interim Chief Executive Officer of HP from August 2010 through October 2010. During her 32-year career at HP, Ms. Lesjak held a broad range of financial leadership roles, including Senior Vice President and Treasurer and other financial operations and controller roles. Ms. Lesjak has a bachelor's degree in biology from Stanford University and a master of business administration degree in finance from the University of California, Berkeley.

Ms. Lesjak serves on the board of directors of SunPower (NASDAQ: SPWR) where she serves as Chair of the Audit committee and member of the Compensation committee and General Electric Company (NYSE: GE) where she serves on the Audit and Governance & Public Affairs committees.

An audit committee financial expert, Ms. Lesjak brings to the Board extensive experience as the chief financial officer of a major corporation, with significant presence in both the business-to-consumer and business-to-business markets, including extensive experience in strategic business planning and execution, financial oversight, corporate development and public company governance.



Greg B. Petersen

CLD Committee Chairman

Audit Committee

Mr. Petersen, 59, has served as president of Brookview Capital Advisors since 2016. He currently serves on the board of directors of the following public companies: Aterian, Inc. (NASDAQ: ATER) where he serves as Chairman of the Audit committee, and Plus Therapeutics, Inc. (NASDAQ: PSTV) where he serves as Chairman of the Audit committee and a member of the Compensation committee.

Mr. Petersen previously served on the board of directors of Diligent Corporation (2013 to 2016) and Pikel, Inc. (2012 to 2017). Mr. Petersen served as the chairman of the audit committee at Diligent and Pikel, and as an advisory board member at Synthesio. From 2014 to 2015, he served as Executive Vice Chairman at Diligent Corporation. Mr. Petersen previously served as Chief Financial Officer for CBG Holdings, Lombardi Software, Inc. (which was sold to IBM in 2010), and Activant Solutions, Inc. Mr. Petersen previously served in executive roles with Trilogy Software and RailTex. Mr. Petersen began his career with American Airlines, Inc. (NASDAQ:AAL), including serving as managing director of corporate development where he led a project to create Sabre Holdings, Inc. (NASDAQ:SABR) and complete its IPO. Mr. Petersen holds a Bachelor of Arts in Economics from Boston College and a Master of Business Administration from the Fuqua School of Business at Duke University.

An audit committee financial expert, Mr. Petersen brings to the Board his business and leadership experience in software companies, merger and acquisition experience, and extensive financial planning, accounting, governance, compensation planning and risk management knowledge.



Timothy V. Williams

Audit Committee Chairman

NCG Committee

Mr. Williams, 73, has served on the board of directors and as chairman of the Audit committee of ChannelAdvisor Corporation (NYSE: ECOM) since 2012. He also serves on the board of directors of PointClickCare Corp., a privately held company.

Mr. Williams previously served on the board of directors and as chairman of the audit committee of Halogen Software, Inc. (TSE: HGN) (April 2011 to May 2017). Mr. Williams served as Senior Vice President and Chief Financial Officer of Blackbaud, Inc. (NASDAQ: BLKB), a provider of software and services to non-profit organizations, from January 2001 until his retirement in November 2011. Mr. Williams previously served as Executive Vice President and Chief Financial Officer of both Mynd Corporation (now a subsidiary of Computer Sciences Corporation), and Holiday Inn Worldwide, a subsidiary of Bass PLC. Mr. Williams holds a Bachelor of Arts in business from the University of Northern Iowa.

An audit committee financial expert, Mr. Williams has extensive financial, business, management and public software company expertise. Through his experience as a chief financial officer at three different companies, including two software and services firms, Mr. Williams brings to the Board extensive knowledge of accounting, risk management, general management of software companies and public company reporting requirements and processes.



Mariette M. Woestemeyer

Co-Founder

Mrs. Woestemeyer, 70, co-founded PROS in 1985 with her husband, Ronald Woestemeyer. She has served as a director of PROS since 1985. Mrs. Woestemeyer has notified the Board that she will be retiring from the Board as of the Annual Meeting.

Mrs. Woestemeyer was previously the Chief Financial Officer of Metro Networks, a broadcasting company, from 1983 to 1985 and held various financial roles with Continental Airlines and its predecessor, Texas International Airlines, prior to 1983. Mrs. Woestemeyer holds a Bachelor of Business Administration and a Master of Business Administration from the University of Houston.

As co-founder of PROS, Mrs. Woestemeyer brings to the Board continuity and history of current and past management and direct relevant industry experience. Mrs. Woestemeyer also has familiarity with all of our key operations as a result of serving as a director since our founding. Mrs. Woestemeyer also has experience as our Chief Financial Officer for many years and related operational expertise.

Director Qualifications, Skills and Attributes

The below table provides a summary view of the key experiences, expertise and other attributes of our continuing directors and director nominees as well as term of office information. A checkmark indicates a specific area of focus or experience on which the Board relies most. The lack of a checkmark does not mean the individual does not possess that qualification or skill.

Board Experience, Expertise or Attribute	Carlos Dominguez (Nominee)	Raja Hammoud	Leland Jourdan	Catherine Lesjak (Nominee)	Greg Petersen	Andres Reiner (Nominee)	William Russell	Timothy Williams	Mariette Woestemeyer
Accounting				✓	✓			✓	✓
Business Operations	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cloud Software	✓	✓		✓	✓	✓	✓	✓	
Finance				✓	✓			✓	✓
International	✓	✓	✓	✓		✓	✓		✓
Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓
M&A	✓	✓	✓	✓	✓	✓	✓	✓	
Public Company/Governance	✓			✓	✓	✓	✓	✓	
Risk Management	✓		✓	✓	✓			✓	
Sales & Marketing	✓					✓	✓		
Software Product Development		✓				✓			
Travel Industry					✓	✓			✓
Race/Ethnicity									
Black/African American			✓						
Hispanic/Latin American	✓					✓			
Asian	✓								
Middle Eastern/North African		✓							
Caucasian/White				✓	✓		✓	✓	
Prefer not to disclose									✓
Other Public Boards									
At March 22, 2022	2	—	—	2	2	1	1	1	—
Term of Service on PROS Board									
Director Since	2020	2020	2021	2020	2007	2010	2008	2007	1985
Current Term Expires	2022	2024	2024	2022	2023	2022	2024	2023	2023
Class of Director	III	II	II	III	I	III	II	I	I

PROPOSAL ONE

ELECTION OF DIRECTORS

What am I voting on?

Stockholders are being asked to elect three Class III director nominees to the Board for a three-year term.

Voting Recommendation:

The Board recommends voting “FOR” the election of each of the three Class III director nominees.

Three (3) directors are to be elected at the Annual Meeting. Our Board, upon the recommendation of the NCG Committee, has nominated Carlos Dominguez, Catherine Lesjak and Andres D. Reiner as Class III directors, each to hold office until the 2025 Annual Meeting and until their successor has been duly elected and qualified or until the earlier of their death, resignation or removal.

The Board is also composed of three Class I directors, whose terms expire upon the election and qualification of directors at the 2023 Annual Meeting, and three Class II directors, whose terms expire upon the election and qualification of directors at the 2024 Annual Meeting.

The Board knows of no reason why any of the nominees would be unable or unwilling to serve, but if any nominee should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the Board may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above.

Vote Required

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the Annual Meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

Directors are elected by a plurality vote of the votes cast by holders of our Common Stock entitled to vote at the Annual Meeting. Abstentions and broker non-votes will not have any effect on this proposal. Accordingly, the two nominees who receive the highest number of properly executed “FOR” votes from the holders of Common Stock will be elected as directors.

The number of “withhold” votes with respect to a nominee will affect whether our Director Resignation Policy will apply to that individual. In accordance with our Director Resignation Policy, any nominee for director who receives a greater number of votes “withheld” from his or her election than votes “for” such election is required to offer his or her resignation following certification of the stockholder vote. The NCG Committee would then consider whether to accept the resignation and make a recommendation to our independent directors as to the action to be taken with respect to the offer. *For more information about this policy, see [Corporate Governance - Accountability - Director Resignation Policy](#).*

The NYSE broker discretionary rules prohibit banks, brokers and other intermediaries from voting shares held in their clients’ accounts on elections of directors unless the client has provided voting instructions. Therefore, if you hold your shares in street name, it is important that you cast your vote if you want it to count in the election of directors.

THE BOARD UNANIMOUSLY RECOMMENDS VOTING “FOR” THE ELECTION OF EACH OF THE THREE CLASS III DIRECTOR NOMINEES.

DIRECTOR COMPENSATION

The CLD Committee periodically reviews non-employee director compensation taking into account various factors, including director responsibilities, peer group data and market practices. In the spring of 2021, Frederic W. Cook & Co., Inc. (FW Cook) provided an independent analysis, including peer group data, which was taken into consideration by the CLD Committee. For 2021, the CLD Committee approved a compensation structure for non-employee directors unchanged from 2020 and consisting of an equity award, annual cash retainer, and for certain leadership roles, a supplemental cash retainer. All cash retainers are paid quarterly in arrears. In 2021, each non-employee member of our Board serving as of the 2021 Annual Meeting received a target RSU award of \$165,000, which will vest in full on the earlier of the 2022 Annual Meeting or May 12, 2022. Directors who joined the Board after the 2021 Annual Meeting received a pro rata award of RSUs which also vest in full on the earlier of the Annual Meeting or May 12, 2022. Each non-employee member of our Board received an annual cash retainer of \$35,000 in 2021, pro rated for directors who joined the Board mid-year. The non-executive chairman of our Board received a supplemental cash retainer of \$60,000 in 2021. In addition, each non-employee director serving as a chair or member of a standing committee of our Board received the following supplemental cash retainer(s):

Committee Role	Audit Committee		CLD Committee		NCG Committee	
Member	\$	15,000	\$	15,000	\$	7,500
Chair	\$	30,000	\$	20,000	\$	10,000

We also reimburse our directors for reasonable out-of-pocket expenses incurred in connection with (i) their attendance at our Board and committee meetings and other Company meetings, and (ii) director continuing education programs, including participation in the NACD, of which the Company is a member.

2021 Director Compensation Table

The following table sets forth the compensation paid to our non-employee directors for service on our Board during 2021. Compensation for Andres D. Reiner our President and CEO is set forth in the [Summary Compensation Table](#). Mr. Reiner does not receive compensation for his services as a director.

Name	Fees Earned or Paid in Cash (\$)		Restricted Stock Units (\$) (1)		Total (\$)	
Carlos Dominguez	\$	50,000	\$	164,989	\$	214,989
Raja Hammoud	\$	50,000	\$	164,989	\$	214,989
Penelope Herscher (2)	\$	21,010	\$	—	\$	21,010
Leland T. Jourdan (3)	\$	29,121	\$	156,384	\$	185,505
Catherine Lesjak	\$	53,037	\$	164,989	\$	218,026
Greg B. Petersen	\$	70,000	\$	164,989	\$	234,989
William Russell	\$	120,000	\$	164,989	\$	284,989
Timothy V. Williams	\$	72,500	\$	164,989	\$	237,489
Mariette M. Woestemeyer	\$	35,000	\$	164,989	\$	199,989

- (1) Represents the aggregate grant date fair value of equity awards granted in 2021 calculated in accordance with GAAP. For additional information about valuation assumptions for equity awards, refer to Note 14 of our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021. The May 12, 2021 grant of RSUs awarded to all non-employee directors serving as of conclusion of the 2021 Annual Meeting vest in full on the earlier of the 2022 Annual Meeting and May 12, 2022 and had a grant date fair value of \$37.60. The June 1, 2021 grant of RSUs awarded to Mr. Jourdan vest in full on the earlier of the 2022 Annual Meeting and May 12, 2022 and had a grant date fair value of \$44.63.
- (2) Ms. Herscher's service on the Board ended on May 12, 2021.
- (3) Mr. Jourdan joined the Board on June 1, 2021.

For information on the stock holdings of each director, see [Security Ownership](#).

EXECUTIVE OFFICERS

The following section sets forth our other NEOs and other significant employees of the Company, other than Mr. A. Reiner, their ages (immediately prior to the Annual Meeting), and the Company positions currently held by each such person:



Stefan B. Schulz
*Executive Vice President
and Chief Financial Officer*

Mr. Schulz, 55, oversees our accounting, financial planning and analysis, legal, treasury, facilities, investor relations, internal audit, tax and corporate development functions.

Mr. Schulz joined PROS in his current position in March 2015. Prior to joining us, Mr. Schulz served as Chief Financial Officer for Digital River, Inc., a global provider of cloud-based commerce, payments and marketing services, from July 2011 to February 2015. Mr. Schulz previously served in various roles, including as Senior Vice President, Chief Financial Officer and Chief Accounting Officer, with Lawson Software, an enterprise resource planning software company, from October 2005 to July 2011; in various finance and accounting roles at BMC Software, from 1993 to 2005, including as Vice President and Corporate Controller; and as an Audit Manager in the Enterprise Group with Arthur Andersen LLP. Mr. Schulz was instrumental in our transition to a cloud business.

Roberto Reiner served as our Executive Vice President and Chief Technology Officer from November 2019 through October 2021 when he stepped down from such role as part of his planned retirement. From November 1, 2021 until his retirement on March 1, 2022, Mr. R. Reiner assisted with the transition of his Chief Technology Officer duties and other special projects.

Leslie Rechan served as our Chief Operating Officer from May 2020 through January 2022. Mr. Rechan is no longer employed by PROS.

Other Significant Employees

Name	Age	Position
Surain Adyanthaya	57	President, Travel
Nikki Brewer	41	Chief People Officer
Scott Cook	54	Chief Accounting Officer
Ajay Damani	48	Executive Vice President, Engineering
Sunil John	48	Chief Product Officer
Katrina Klier	54	Chief Marketing Officer
Damian Olthoff	47	General Counsel and Secretary
Martin Simoncic	40	Chief Customer Officer
Craig Zawada	51	Chief Innovation Officer

COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE REPORT

The Compensation and Leadership Development Committee of the Board of Directors of PROS has reviewed and discussed the following Compensation Discussion and Analysis with management and FW Cook. Based on this review and discussion, we recommended to the Board, and the Board has agreed, that the following Compensation Discussion and Analysis be included in this Proxy Statement.

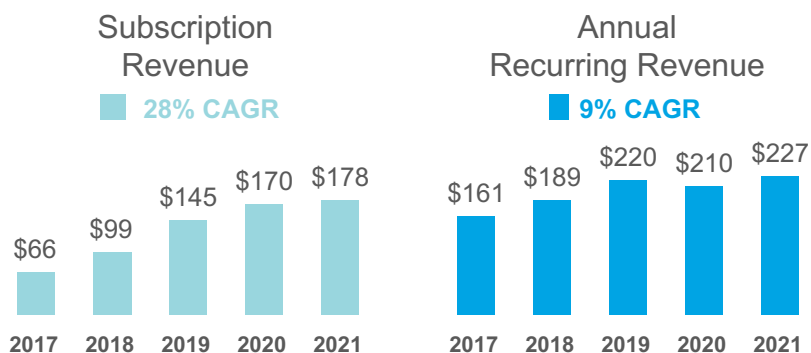
MEMBERS OF THE COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE

Greg B. Petersen (Chairman) | Raja Hammoud | Leland T. Jourdan | William Russell

COMPENSATION DISCUSSION AND ANALYSIS

PROS provides solutions that optimize shopping and selling experiences. Our solutions leverage AI, self-learning and automation to ensure that every transactional experience is fast, frictionless and personalized for every shopper, supporting both business-to-business and business-to-consumer companies across industry verticals. The ongoing COVID-19 pandemic continued to have a widespread impact on the global economy and our business in 2021, particularly as the virus continued to evolve and variants such as Delta and Omicron spread. We were encouraged by the increased availability of vaccines and reopening of markets. The travel industry began to recover in 2021, particularly for in-country travel, but remained well below pre-pandemic levels, particularly for international and business travel.

In 2021, despite the lingering headwinds from the impact of the pandemic, we continued to execute our strategy with operational discipline. While our total revenue was essentially flat in 2021 as compared to 2020, our subscription revenue grew 4%, we achieved greater than 93% gross customer revenue retention for the year and significantly improved our cash metrics. Our free cash flow, a key measure of our recovery and path to profitability, improved 62%, well above our target for the year.



This Compensation Discussion and Analysis describes our executive compensation program and the compensation paid to our NEOs:

Andres D. Reiner	Chief Executive Officer, President and Director
Stefan B. Schulz	Executive Vice President and Chief Financial Officer
Leslie Rechan	Former Chief Operating Officer
Roberto Reiner	Former Executive Vice President and Chief Technology Officer

In conjunction with his announced retirement plan, Mr. Roberto Reiner ceased serving as an executive officer at the end of October 2021 and retired from the Company in March 2022. The Company announced the elimination of the Chief Operating Officer role in January 2022, and Mr. Rechan is no longer employed by the Company.

Our Compensation Philosophy

Our executive compensation program is designed to provide competitive pay enabling the Company to attract and retain high-caliber talent, to link pay to Company performance and to align the interests of our executives with those of our stockholders.

Competitive Pay

Rationale

To attract and retain high-caliber talent by setting compensation competitive with that paid to individuals holding comparable positions at other public companies with which we compete for business and talent. The Company does not target a specific percentile and reviews market data to check that compensation is generally in a market range and reflects the individual's experience, performance and contribution.

Impact in 2021

At the time the CLD Committee made its 2021 executive compensation decisions, our leadership team's 2020 performance successfully navigating PROS through the unprecedented challenges of the impact of COVID-19 on the global economy, particularly the travel industry, was taken into consideration and NEO 2021 total compensation was targeted within a reasonable range of the median of our 2021 peer group. See the next section for a discussion of CEO actual compensation in 2021.

Pay for Performance

Rationale

Provide a compensation package that is weighted heavily towards performance-based pay to motivate high performance among our NEOs, with compensation levels reflecting the achievement of short- and long-term performance objectives.

Impact in 2021

Our performance against preset targets resulted in NEO bonus achievement at 115.4% of target for 2021. The impact of COVID-19 on Company revenue in 2020 continued to affect previously awarded performance-based equity: 79% of the 2019 PRSUs vested in early 2022, and no 2020 PRSUs were earned. Each of these awards were measured over a two-year performance period that included 2020. If the performance period for 2021 MSUs ended on December 31, 2021, no MSUs would have been earned as the Company would not have achieved the minimum vesting threshold. Because of this underperformance in the first year, for any 2021 MSUs to be earned, the Company's TSR must outperform the Russell 2000 Index over the remaining two years of the performance period.

Align the interests of our executives and stockholders

Rationale

Directly link rewards to the achievement of measurable financial objectives that build long-term stockholder value.

Impact in 2021

NEO bonus plan is based on growth targets established at beginning of period without discretion or adjustment. NEOs receive a mix of time-based and performance-based equity; one-half of the CEO's annual equity grant value is performance-based equity awards. We maintain robust stock ownership guidelines for our NEOs; our CEO continues to hold significant amount of PROS stock and the value of his holdings were impacted in 2021.

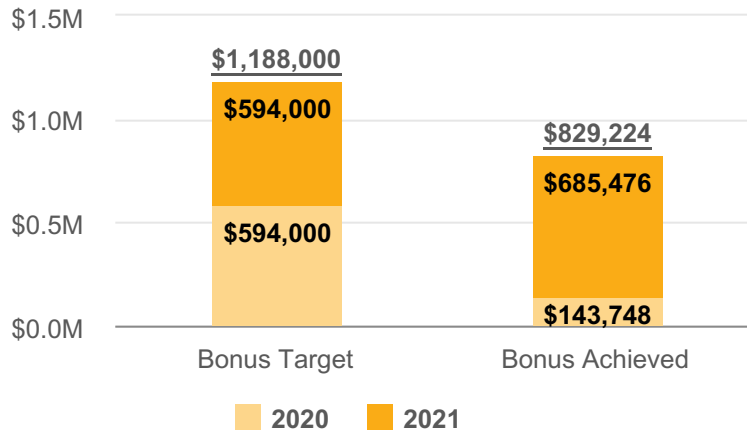
Executive Compensation Operating as Designed

Our CLD Committee believes that a well-functioning executive compensation program should reward executives for out-performance. Conversely, when performance is not achieved the program's incentive elements pay out at reduced levels, and in some cases result in no payout for that element.

At the time the CLD Committee set the 2021 executive compensation program, the CLD Committee approved aggressive NEO bonus performance goals for 2021 which required 5% ARR growth and a 42% improvement in free cash flow for target bonus payouts. 2021 saw improvement in the global economy, the beginning of recovery in the travel industry and overall willingness of companies across industries to engage in digital commerce initiatives as their business prospects demanded investments in pricing and digital commerce solutions. Our 2021 bonus ARR target was \$220.0 million and we achieved \$213.4 million (excluding the impact of acquisitions), slightly above the minimum amount required for partial payout on this metric. The return to gross customer retention rates above 90% contributed to the above minimum ARR performance. Our 2021 free cash flow target was a 42% improvement over 2020, and we achieved a 62% improvement, above the amount required for maximum

payout on this metric. Thus, our NEO bonus payout for 2021 was 115.4% of target based on the pre-established formula, and no adjustments nor discretion were applied.

Over the two years impacted by COVID-19, our CEO's bonus attainment funded 30% lower than target.

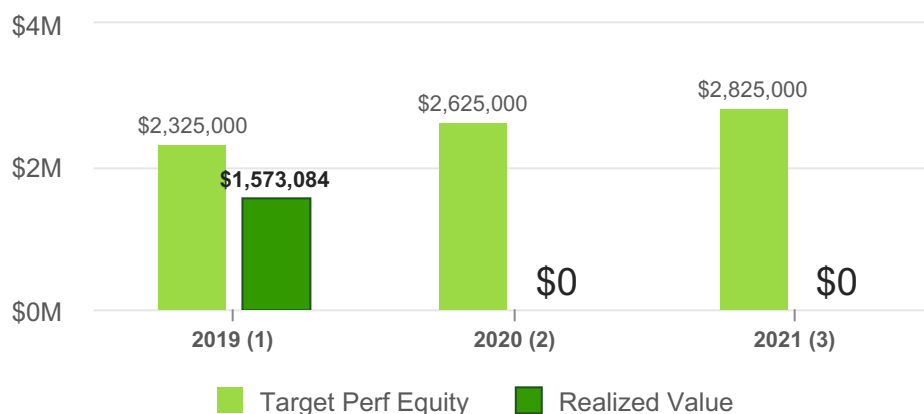


While Company performance was strong in 2021 and the cash incentive element of the executive compensation program reflects this, the financial impact of the pandemic affected our NEOs' equity incentives:

- The impact of COVID-19 on our recurring revenue in 2020 resulted in a 79% of target earnout for 2019 PRSUs. These PRSUs vested in early 2022. No discretion nor adjustments were made.
- Our 2020 PRSUs were based on two-year recurring revenue performance and were not earned at all.
- Approximately \$2.1 million of our CEO's 2020 reported total compensation was attributable to the grant date fair value of his 2020 PRSUs. 2020 PRSUs actually delivered \$0 to our NEOs, and no adjustments were made.
- Based in part on the unique headwinds from market forces affecting both the travel and technology industries, our negative TSR in 2021 lagged the performance of the benchmark (Russell 2000 Index) for the 2021 MSUs. If the performance period for the 2021 MSUs had ended on December 31, 2021, no MSUs would have been earned (and thus \$0 in actual compensation would have been earned) because the Company's TSR relative to the Russell 2000 Index was below the threshold level.
- Approximately \$3.3 million of our CEO's 2021 reported total compensation is attributable to the grant date fair value of his 2021 MSUs. Because of the underperformance in the first year of the performance period, for the 2021 MSUs to result in any actual compensation, our TSR must outperform the Russell 2000 Index over the remaining two years of the performance period.
- A significant portion of our customers are in the travel industry which have been negatively impacted on a much greater basis in the past two years, which has created a disadvantage when PROS is compared to the Russell 2000 or even our own peer group. The CLD Committee has not made any adjustments to the short or long-term plan nor applied any discretion to the payouts.

Our CEO's performance-based equity awards, representing significant amount of his pay, are operating as designed to align our CEO's actual compensation to Company performance and stockholders' interests.

CEO Performance-Equity Target Value Compared To 12/31 Performance Valuation



(1) The Realized Value for the 2019 PRSUs is calculated by multiplying the number of earned and vested units (79.1% of target units) by the PROS stock price of \$28.27 on date of vesting (1/18/22).

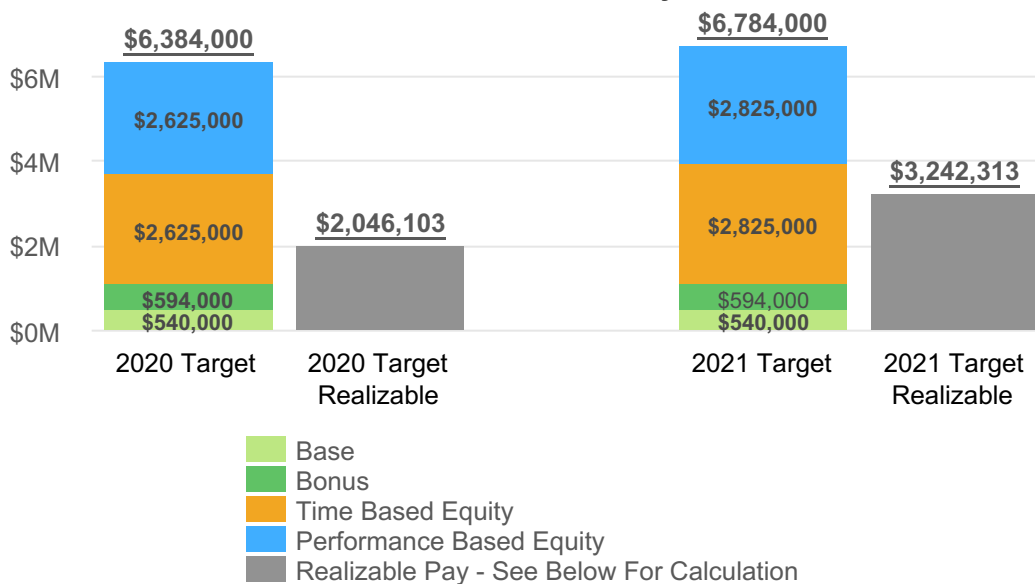
(2) The Realized Value for the 2020 PRSUs is \$0 based on actual performance through the end of the performance period for these units.

(3) The Realized Value for the 2021 MSUs is based on a performance assessment as of 12/31/2021; however there are two years remaining in this performance period.

The multi-year impact of COVID-19 on our business has significantly impacted our CEO's compensation.

For 2020, our CEO earned 4% of his target performance-based compensation. For 2021, if the 2021 MSUs are not earned, our CEO would earn 20% of his target performance-based compensation. The following chart depicts the significant amount of target compensation not attained by our CEO over the past two years:

CEO Realizable Pay



Target realizable pay for 2020 includes base salary (\$540,000), actual bonus paid for 2020 (\$143,748), 100% of time-based RSUs granted in 2020 valued at the closing stock price on 12/31/21 of \$34.49, and 0% of 2020 PRSUs. Target realizable pay for 2021 includes base salary (\$540,000), actual bonus paid for 2021 (\$685,476), 100% of time-based RSUs granted in 2021 valued at the closing stock price on 12/31/21 of \$34.49 and 0% of 2021 MSUs. As previously noted, the 2021 MSUs have a three-year performance period through December 31, 2023 and are earned based on Company TSR over that performance period versus the Russell 2000 Index. During the first year of the 3-year performance period, Company TSR underperformed the Russell 2000 Index. If the performance period for the 2021 MSUs had ended on December 31, 2021, no MSUs would have been earned. Because of the underperformance in the first year of the performance period, for any 2021 MSUs to result in any actual compensation, the Company's TSR must outperform the Russell 2000 Index over the remaining two years of the performance period.

Executive Compensation Practices

Our executive compensation practices are designed to assure that our executive compensation is competitive, rewards performance and aligns the interests of our executives with our stockholders, as highlighted in the following table:

Pay for Performance	<p>We emphasize pay-for-performance where compensation is contingent upon the performance of our business and our stock price.</p> <p>We utilize performance-based pay through equity and cash incentive awards that require achievement of pre-established goals with no discretion.</p>
Stock Ownership Guidelines	<p>We maintain robust ownership guidelines for our directors and NEOs.</p> <p>We expect our CEO to hold stock equal to six times his base salary, and he has held significantly more than this requirement for many years.</p> <p>We expect each other NEO to hold stock equal to two times their base salary.</p> <p>We expect our directors to hold stock equal to five times their annual cash retainer.</p>
Accountability	<p>We have a clawback policy that applies to all cash and equity awards.</p> <p>We maintain anti-hedging, anti-short and anti-pledging policies.</p> <p>Although we have not recently utilized stock options or SARs, we do not discount from fair market value in setting the exercise price of stock options and SARs.</p> <p>Our NEO employment agreements have “double trigger” change in control provisions.</p>
No Excessive Perquisites	<p>We do not provide significant perquisites to our NEOs.</p>
Repricing	<p>We do not reprice underwater stock options or SARs without stockholder approval.</p>
Minimum Equity Vesting Requirements	<p>We do not grant equity with vesting terms of less than one year after grant, except for up to 5% of the stock plan authorized shares.</p>
Compensation Risk Oversight	<p>Our CLD Committee oversees risks associated with compensation policies and practices.</p>
Independent Consultant	<p>The CLD Committee has directly retained an independent compensation consultant that performs no services for PROS other than for the CLD Committee.</p>

Role of Our Compensation and Leadership Development Committee

Our CLD Committee, comprised entirely of independent directors, is responsible for establishing, administering and interpreting our policies governing the compensation and benefits for our NEOs, as well as granting any share-based awards to our NEOs. Our CLD Committee establishes executive compensation programs that it believes, based on the members’ experience, is the most appropriate to achieve the goals described above. Our CLD Committee continues to evaluate our executive compensation programs on a quantitative and qualitative basis on at least a yearly basis or more frequently if circumstances dictate. Our CLD Committee expects to make new awards and adjustments to our executive compensation programs as appropriate. Our CLD Committee has taken the following steps to ensure that our executive compensation and benefit policies are consistent with both our compensation philosophy and our Corporate Governance Guidelines:

- solicited recommendations from an independent executive compensation consultant to evaluate our executive compensation practices and assisted in developing and implementing the executive compensation programs;
- established a practice, in accordance with the rules of the NYSE, of reviewing the performance and determining the compensation earned, paid or awarded to our CEO;
- established a policy, in accordance with the rules of the NYSE, to review on an annual basis the performance of our other executive officers with assistance from our CEO and determined what we believe to be appropriate total compensation for these executive officers; and
- our CLD Committee members attended continuing education related to compensation best practices provided by NYSE, NACD and Equilar, among others.

Our CLD Committee considers a broad range of facts and circumstances in setting executive compensation. Among the factors considered for our executives generally in 2021, and for the NEOs in particular, are market data and recommendations from the Committee's independent compensation advisor, FW Cook, advice from our CEO, general economic and market conditions, our financial condition and operating results, our operating plan, our geographic locations and executive compensation policy objectives described above. The weight given to each factor may differ by year and may differ among NEOs in any given year.

Role of Our Independent Compensation Consultant

Our CLD Committee retained FW Cook for advice on executive compensation matters for 2021 due to the breadth and depth of FW Cook's experience with executive compensation matters and their expertise in the software industry. During 2021, FW Cook advised the CLD Committee on a variety of subjects such as compensation plan design and trends, pay for performance analytics, benchmarking norms, executive compensation best practices and other related matters. FW Cook reports directly to the CLD Committee, participates in meetings as requested and communicates with the CLD Committee Chair between meetings as necessary. FW Cook has served as the CLD Committee's independent compensation consultant since 2017.

Prior to engaging FW Cook, the CLD Committee reviewed FW Cook's qualifications, as well as their independence and any potential conflicts of interest. The CLD Committee has the sole authority to modify or approve the compensation for FW Cook, determine the nature and scope of their services, evaluate their performance, terminate their engagement and hire replacement or additional consultants at any time. FW Cook did not perform any services for us in 2021 other than as serving as advisors to the CLD Committee.

Role of the Chief Executive Officer

In early 2021, Mr. A. Reiner reviewed the performance and compensation of the NEOs, other than himself, and made recommendations as to their compensation to the CLD Committee. In making its decisions regarding executive compensation, the CLD Committee meets outside the presence of executive officers when making final decisions about each executive officer. The CEO is periodically present during portions of these deliberations that relate to the compensation for other executive officers but does not participate in discussions regarding his own pay. In addition, the CLD Committee has delegated to the CEO the authority to make share-based awards to employees below the VP level within certain limitations on aggregate grants and specific award terms.

Role of Stockholders

Each year, our CLD Committee takes into account the result of our stockholders' advisory vote on the compensation paid to our NEOs (say-on-pay). More than 77% of the total votes cast were voted in favor of our say-on-pay proposal in 2021. Say-on-pay is a key indicator of stockholder sentiment and is taken into account by the CLD Committee in its policy and decision-making processes. We also keep an open dialogue with our institutional investors and stockholders throughout the year. We reach out to discuss business topics, seek feedback on our performance and address other matters of importance to our stockholders, including executive compensation. We actively engaged with the stockholders that represent a significant majority of our shares outstanding in 2020, before 2021 executive compensation decisions, and again in 2021, after the 2021 stockholder vote and before 2022 executive compensation decisions. In 2021, this included the Company communicating in writing with stockholders that represent over 85% of our shares outstanding and having live, interactive discussions with stockholders who requested a meeting. We engaged with these stockholders on a variety of topics, including our business and long-term strategy, corporate governance and risk management practices, board leadership and refreshment, diversity, corporate social responsibility initiatives (including ESG matters), our executive compensation program, and other matters of stockholder interest. As a result of this ongoing outreach, the CLD Committee took into account stockholder sentiment as it set 2022 NEO compensation. The following table sets forth common themes we have heard from our stockholder engagement on executive compensation over the past several years and the CLD's ongoing response to this engagement:

What We Heard

- ✓ A focus on CEO pay level.

What We Did (with advice and data from our leading independent compensation consultants)

- ✓ **Reviewed and updated our peer group** each year prior to January 2021 and January 2022 executive compensation decisions to ensure an accurate size-appropriate comparison of peer executive compensation practices and pay levels.
 - ✓ Responded to changes in our relative revenue size in 2021 by removing two companies from our peer group that had larger revenue than ours and adding two companies with similar market cap and revenue as ours.
 - ✓ Set CEO 2021 target compensation near the expected median of our updated peer group.
-
- ✓ Aligning NEO pay with Stockholder interests.
 - ✓ Continued to **set majority of pay based on performance** through our bonus plan and equity grants tied to our performance.
 - ✓ **Set growth goals** for cash incentive attainment at the beginning of the year tied to our strategic plan. For example, in 2021, our primary growth-oriented performance metric was ARR, and this goal required 5% annual growth to earn a target award, coming off a year in which ARR had declined due to the pandemic.
-
- ✓ Making progress towards profitability.
 - ✓ **Set financial metrics to drive operational improvement** as part of cash incentives. For example, in 2021, our primary operational improvement performance metric was improvement in free cash flow, and this goal required 42% improvement to earn a target award. The actual improvement was 62%.
-
- ✓ Paying for Performance
 - ✓ **No COVID-19 related adjustments** or discretionary actions were taken despite the fact that the pandemic was outside of management's control.
 - ✓ 2019 PRSUs were earned at 79% of target and 2020 PRSUs were not earned, each based on actual results against the respective two-year recurring revenue goal. The below-target achievement of each award was primarily due to the impact of COVID-19 on our business in 2020.
 - ✓ 2021 MSUs will be earned based on Company TSR vs. Russell 2000 Index over a 3-year period. If the performance period for the 2021 MSUs had ended on December 31, 2021, none would have been earned. Because of the underperformance in the first year of the performance period, for any 2021 MSUs to be earned and thus any actual compensation delivered, the Company's TSR must outperform the Russell 2000 Index over the remaining two years of the performance period.
 - ✓ **Reinstated ARR and Free Cash Flow** as metrics for cash incentives in response to stockholder input to incentivize both top-line and profitability improvement.

Role of Peer Companies

To assist the CLD Committee in its deliberations on executive compensation, each year they review our peer group with our compensation consultant for appropriateness based on a variety of factors, including: similarities in market capitalization and revenue, relevant industry, the labor market for top management talent, our status as a publicly traded, U.S.-based firm and various other characteristics. Starting in 2017 and continuing through 2021, the CLD Committee has largely transitioned away from including peers with a founder CEO because they tend to pay differently from typical market practices (exceptions have been made where business size and fit are strong and the pay program/mix is market normative).

The CLD Committee reviewed the peer group in August 2020 for purposes of informing executive compensation decisions for 2021 and made several changes to the group with a focus on aligning the group's overall market cap and revenue closer to PROS market cap and revenue at the time, which were impacted by the COVID-19 pandemic more than most of the peer companies due to the travel industry being particularly affected. The following three companies were removed from the peer group because they were acquired: Ellie Mae, Instructure and Monotype Imaging. Additional changes to the peer group for 2021 were made to reduce the peer median revenue and market capitalization to be responsive to our smaller size relative to peers as a result of COVID-19 impacts. Coupa Software was removed because its market capitalization grew larger than the CLD Committee's target market cap range, and four new peers were added for the 2021 peer group, all of which had a smaller market cap and similar revenue as ours at the time: Model N, OneSpan, QAD and Upland Software. With these changes, the CLD Committee examined the compensation practices of these companies. We believe the companies in our 2021 peer group are in

a comparable and appropriate size range, are similar in terms of scope and complexity and are representative of widely-accepted peer group development best practices. Our 2021 Peer Group is set forth in the following table:

2021 Peer Group (Count = 17)				
Aspen Technology, Inc.	Benefitfocus, Inc.	Bottomline Technologies, Inc.	Cornerstone OnDemand, Inc.	Everbridge, Inc.
Five9, Inc.	Model N, Inc.*	OneSpan Inc.*	Paylocity Holding Corporation	QAD Inc.*
Quotient Technology Inc.	Q2 Holdings, Inc.	Rapid7, Inc.	SPS Commerce, Inc.	Upland Software, Inc.*
Workiva Inc.	8x8, Inc.	<i>*Added for 2021 peer group</i>		

Market Cap range of 2021 Peer Group as of July 31, 2020 (time of peer group construction): 0.3x - 5.5x

Latest TTM Revenue range of 2021 Peer group as of July 31, 2020: 0.6x - 2.3x

The CLD Committee reviewed the peer group in August 2021 for purposes of informing executive compensation decisions for 2022 and made several changes to the group with a focus on aligning the group's overall revenue closer to PROS revenue at the time. The following two companies were removed from the peer group because their revenue had grown materially above ours: Aspen Technology and Cornerstone OnDemand. Two new peers were added for the 2022 peer group, each of which are enterprise-facing SaaS companies that have similar revenue and market cap to ours: PagerDuty and Ping Identity. With these changes, the CLD Committee examined the compensation practices of these companies. We believe that all companies in the 2022 peer group are in a comparable and appropriate size range, are similar in terms of their scope and complexity and are representative of widely-accepted peer group development best practices. A complete list of the 2022 Peer Group is set forth in the following table:

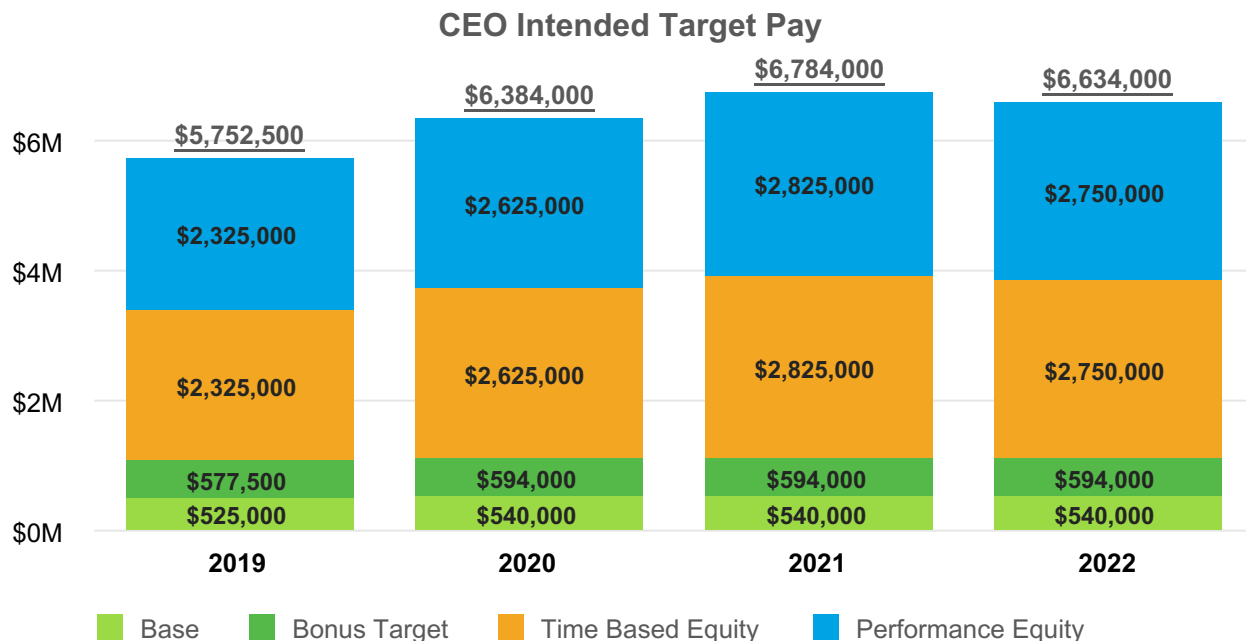
2022 Peer Group (Count = 17)				
Benefitfocus, Inc.	Bottomline Technologies, Inc.	Everbridge, Inc.	Five9, Inc.	Model N, Inc.
OneSpan Inc.	PagerDuty, Inc.*	Paylocity Holding Corporation	Ping Identity Holding Corp.*	QAD Inc.
Quotient Technology Inc.	Q2 Holdings, Inc.	Rapid7, Inc.	SPS Commerce, Inc.	Upland Software, Inc.
Workiva Inc.	8x8, Inc.	<i>*Added for 2022 peer group</i>		

Market Cap range of 2022 Peer Group as of July 6, 2021 (time of peer group construction): 0..2x - 6.3x

Latest TTM Revenue range of 2022 Peer group as of July 6, 2021: 0.7x - 2.4x

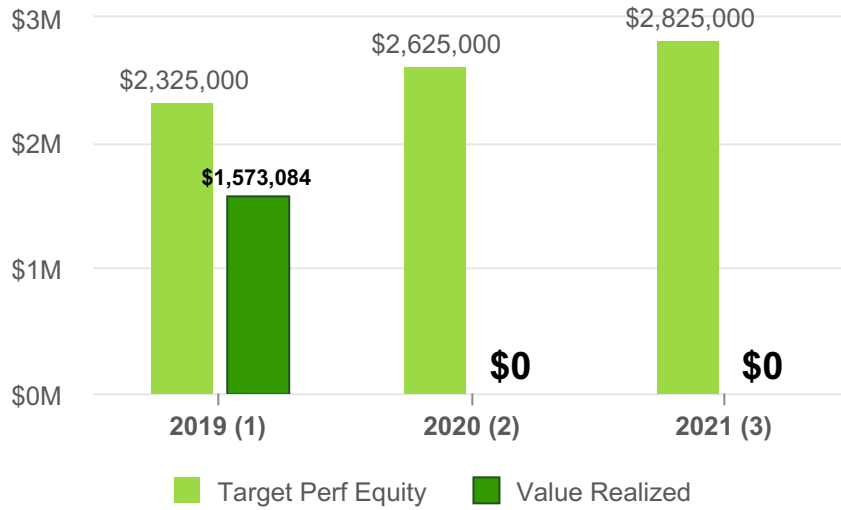
CEO Compensation Program Overview

- Our CEO's total compensation has been near the median of our peer group. In recognition of our CEO's leadership and organizational guidance through unique, challenging conditions as well as movement in peer company data and other relevant factors, the CLD Committee increased our CEO's overall target compensation for 2021 by 6.3% as compared to his 2020 target total compensation. For 2022, the CLD Committee has made no changes to our CEO's base salary and target bonus amount. Our CEO's target equity awards for 2022 were valued at \$5.5 million, a decrease from the targeted amount for 2021. As a result, his overall target compensation for 2022 was reduced by 2.2% as compared to his 2021 target total compensation.



- A significant portion of our CEO compensation program remained performance-based and aligned with stockholder interests. Including the annual cash bonus and the 2021 MSUs, 50% of our CEO's total target compensation is purely performance-based. Including time-based RSUs, which increase or decrease in value based on share price movement, more than 92% of our CEO's 2021 total target compensation is considered at risk.
- Our CEO compensation program is operating as designed and we have not made any adjustments or deviations. Our CEO's earned bonus for 2021 was paid per the formula at 115.4% of target due to (a) free cash flow improving 62% year-over-year, above the target of 42% improvement set at the beginning of 2021, and (b) ARR (excluding acquisitions) of \$213.4 million, which was between the threshold (\$212 million) and target (\$220 million) performance levels set at the beginning of 2021.
- Our CEO's performance-based equity awards, representing a significant amount of his pay, are operating as designed to align our CEO's actual compensation to Company performance and stockholders' interests. Our CEO's equity incentive from 2020 PRSUs were not earned per the formula, due to total recurring revenue performance below target in 2021. Our CEO's 2021 MSUs are earned based on our TSR for the period January 1, 2021 through December 31, 2023 as compared to the Russell 2000 Index. If the performance period had ended on December 31, 2021, no MSUs would have been earned (and thus \$0 in actual compensation would have been earned) because the Company's TSR relative to the Russell 2000 Index was below the minimum threshold. A significant portion of our customers are in the travel industry which have been negatively impacted on a much greater basis in the past two years, which has created a disadvantage when PROS is compared to the Russell 2000 or even our own peer group. Because of the underperformance in 2021, for any 2021 MSUs to be earned, the Company's TSR must outperform the Russell 2000 Index over the remaining two years of the performance period. We believe these performance-based equity awards are operating as intended and align our CEO's compensation with our stockholders' interests.

Performance-Equity Target Value Compared To 12/31 Performance Valuation



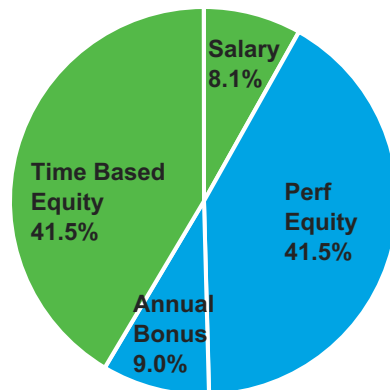
(1) The Realized Value for the 2019 PRSUs is calculated by multiplying the number of earned and vested units (79.1% of target units) by the PROS stock price of \$28.27 on date of vesting (1/18/22).

(2) The Realized Value for the 2020 PRSUs is \$0 based on actual performance through the end of the performance period for these units.

(3) The Realized Value for the 2021 MSUs is based on a performance assessment as of 12/31/2021; however there are two years remaining in this performance period.

The Company's 2022 CEO compensation program reflects our ongoing emphasis on pay for performance with approximately 50% of total compensation directly performance-based (including annual cash incentive and performance-based equity) and >90% at risk (including time-based RSUs). The 2022 CEO equity award structure of 50% performance-based equity and 50% time-based equity was consistent with the CLD Committee's historic practices utilized each year for our CEO since 2012.

Ongoing Intended Award Type Mix for CEO



■ >50% Performance based pay

Two-Year Look-Back at CEO Equity Grants

As stated above, our CLD Committee structures our CEO's equity awards based on a 50/50 ratio of performance-based equity and time-based equity, which is a more performance-based weighting than our peer group average. As reported, the [Summary Compensation Table](#) states that our CEO received a 28% increase in equity award value from 2020 to 2021 when in actuality the CLD Committee targeted a 7.6% increase. The below table sets forth the target award value for each equity component for each of the past two years. The total target award value for our CEO for 2020 was \$5.25 million and increased by \$400,000 for 2021 to \$5.65 million. The number of time-based RSUs and target performance-equity RSUs awarded in 2020 were the same. However, the required [Summary Compensation Table](#) disclosure is calculated using the grant date fair value based on accounting fair value. Because the 2020 PRSUs were actually granted several weeks later due to finalization by the CLD Committee of the associated performance targets, the decrease in our stock price between January 13, 2020 and February 7, 2020 drove a lower accounting fair value for the 2020 PRSUs. By comparison, in 2021, the CLD Committee granted an equal number of time-based RSUs and target performance-equity MSUs on the same date. The MSUs are earned based on our TSR versus the Russell 2000 Index over a 3-year performance period. As such, we are required to report the 2021 MSUs at time of grant using a Monte Carlo simulation which requires disclosure in the [Summary Compensation Table](#) for 2021 at a higher per unit share price than actual share price on the date of grant. The table below illustrates that the total equity award value as disclosed in the [Summary Compensation Table](#) reports a more significant increase from 2020 to 2021 than determined by the CLD Committee:

CEO Equity Award	Target Award Value (000s)	Grant Date	Share Price on Grant Date	Accounting Fair Value per Unit	SCT Grant Value (000s)	RSUs	
						Granted at Target	Earned or Vested as of 12/31/21
2020 Time-based RSUs	\$2,625	1/13/2020	\$66.44	\$66.44	\$2,624	39,500	9,875
2020 Performance-equity (PRSUs)	\$2,625	2/7/2020	\$54.23	\$54.23	\$2,142	39,500	0
2021 Time-based RSUs	\$2,825	1/11/2021	\$48.31	\$48.31	\$2,825	58,476	—
2021 Performance-equity (MSUs)	\$2,825	1/11/2021	\$48.31	\$56.05	\$3,278	58,476	TBD

Components of 2021 Executive Compensation

Our CLD Committee chose to make the changes set forth below to our NEO compensation for 2021 after reviewing each leader's tenure and compensation history with us, the Company's and each leader's prior year performance, the compensation practices from our 2021 peer group, each leader's compensation relative to our updated peer group and feedback from stockholder engagement. Please see the tables under [Executive Compensation](#) below.

Base Salaries

We use base salaries primarily to compensate and retain our NEOs for their services. Base salaries for our NEOs are reviewed on an annual basis and represent the minimum payment for a satisfactory level of individual performance as long as the executive remains employed with us. Base salary is set at the CLD Committee's discretion after taking into account the competitive landscape, including the compensation practices of the companies in our selected peer group, our business strategy, our performance goals and certain individual factors, such as position, salary history, individual performance and contribution, length of service with the Company and placement within the general base salary range offered to our NEOs.

No Base Salary changes for 2021. In light of the Company's performance in 2020 which was impacted by COVID-19, the CLD Committee did not make any changes to NEO base salaries for 2021.

The following table sets forth the annual base salaries for the past two years for each of our NEOs:

Named Executive Officer	Annual Base Salaries		
	2020	2021	% Increase
Andres D. Reiner	\$ 540,000	\$ 540,000	—
Stefan B. Schulz	\$ 405,000	\$ 405,000	—
Leslie Rechan	\$ 425,000 ⁽¹⁾	\$ 425,000	—
Roberto Reiner	\$ 350,000	\$ 350,000 ⁽²⁾	—

(1) Mr. Rechan's actual salary was prorated for 2020 based on his May 2020 start date as an employee of the Company. See [Summary Compensation Table](#) below.

(2) Mr. Roberto Reiner's actual salary was reduced effective November 1, 2021 to \$240,000 in connection with his role changing from EVP, Chief Technology Officer to Vice President. From November 1, 2021 to his retirement on March 1, 2022, Mr. R. Reiner assisted with the transition of his Chief Technology Officer duties and other special projects. See [Summary Compensation Table](#) below.

Annual Cash Incentives

For 2021, we utilized a cash incentive plan for our NEOs under which cash payments could be earned based on our performance against our corporate objectives for the year. This program is intended to reward our NEOs upon the achievement of financial performance goals. Each component of the cash incentive plan had minimum threshold, target and maximum levels and operated independently of the other components. Actual results between the minimum threshold, target and the maximum goal levels are interpolated. We use our cash incentive plan to align our NEOs' performance with our financial results and to motivate our NEOs to successfully implement our cloud strategy and execute our corresponding financial plan by achieving annual goals that were set at the beginning of the year and remained unchanged through the end of the year.

NEO Cash Incentive Plan for 2021. The NEO cash incentive plan for 2021 (2021 NEO Plan) was approved, including establishing the performance goals and setting the targets, by the CLD Committee in February 2021. Recognizing the importance of continuing to grow the top-line while maintaining operational discipline, the 2021 NEO Plan contained two performance-based measures: ARR and improvement in free cash flow. ARR is the contracted annual recurring revenue, as of December 31, 2021, including contracts with a future start date, together with annualized overage fees incurred above contracted minimum transactions, and excluding perpetual and term license agreements recognized as license revenue in accordance with GAAP. Free cash flow is a non-GAAP financial measure consisting of net cash provided by (used in) operating activities minus capital expenditures (excluding expenditures for the Company's new headquarters), purchases of other (non-acquisition-related) intangible assets and capitalized internal-use software development costs.

The CLD Committee believes that ARR is a good forward looking metric that measures the future trajectory of recurring revenue growth and that improvement in free cash flow is a good indicator of the Company improving its operational efficiency. The two measures are distinct and complementary as one measures future recurring revenue of the Company and the other is a current year operational metric. In our discussions with our stockholders, there were common requests to incorporate a cash flow measure, and the most cited such metric from our stockholders was free cash flow. Thus, free cash flow was chosen by our CLD Committee as the most appropriate financial metric at this time. The weighting of the 2021 NEO Plan components is set forth in the following table:

Component	Weighting
Annual Recurring Revenue	60%
Free Cash Flow	40%

Each NEO's target payout was established as a percentage of base salary as set forth in the payout table below. Actual payout can range from 0% to 200% with the threshold payout being 50% of such target amount when the minimum performance is achieved, the target payout being 100% of such target amount when the target performance is achieved and the maximum payout being 200% of such target amount if the maximum performance targets are met or exceeded. Actual payouts under the 2021 NEO Plan were based on Company performance compared to aggressive goals for each component's target. In February 2021, the CLD Committee set the 2021 NEO Plan target performance goals as indicated in the table below. No discretion nor adjustments were made to the 2021 NEO Plan.

As detailed below, the 2021 NEO Plan payout was 115.4% of target due primarily to over performance against the free cash flow metric. The minimum threshold, target, and maximum goals for each component are set forth in the following table (linear interpolation applies between performance levels):

Component	Goals			Performance Achieved
	Threshold	Target	Maximum	
Annual Recurring Revenue (in millions)	\$212	\$220	\$227	213.4 ⁽¹⁾
Free Cash Flow Improvement	31%	42%	53%	62.0%
Payout at Level	50%	100%	200%	115.4%

(1) ARR for purposes of the 2021 NEO Plan excludes the impact of acquisitions.

No changes were made to target payout amounts as a percentage of base salary in 2021; they are the same as applied in 2020. The payout for 2021 performance as a percentage of the base salary of each NEO reflects actual results against the performance schedule described above and are set forth in the following table:

Named Executive Officer	Target Payout	Actual Payout	
	As a % of Base	Incentive Paid	As a % of Target
Andres D. Reiner	110 %	\$685,476	115.4 %
Stefan B. Schulz	80 %	\$373,896	115.4 %
Leslie Rechan	90 %	\$441,405	115.4 %
Roberto Reiner	70 %	\$267,880 ⁽¹⁾	115.4 %

(1) Mr. Roberto Reiner's bonus was calculated for the period January 1, 2021 through October 31, 2021 (his last day serving as Executive Vice President) based on his base salary of \$350,000 and for the period November 1, 2021 through December 31, 2021 based on a reduced salary of \$240,000.

Equity Awards

The CLD Committee believes that equity compensation plans are an essential tool to align the long-term interests of our NEOs and employees with those of our stockholders. For our NEOs, the CLD Committee awards a mix of performance-based equity awards and time-based equity awards. While SEC rules require us to disclose the grant-date fair value of equity awards granted to our NEOs in the [Summary Compensation Table](#), the actual value received by an NEO depends on multiple factors, including the number of shares actually received via vesting and the share price upon ultimate sale. As such, even time-based RSUs include an implied performance element in that the ultimate value received is directly tied to the Company's stock performance over time. The CLD Committee determines the size of awards following review of competitive market data from our peer group, as well as subjective factors such as relative job scope, individual performance, tenure and experience, expected future contributions to the growth and development of the Company, Company performance, historical equity compensation awarded to a NEO and the unvested equity position held by each NEO.

2021 Equity Awards

For 2021, each NEO received a mix of performance-based and time-based RSUs based upon a target award value as set forth below:

Named Executive Officer	Target Award Value (000s)	Mix of Equity Award Types ⁽¹⁾		Share Price on 1/11/21	Units Granted	
		Performance-Based	Time-Based		MSUs	RSUs
Andres D. Reiner	\$5,650	50%	50%	\$48.31	58,476	58,476
Stefan B. Schulz	\$3,000	40%	60%	\$48.31	24,839	37,259
Leslie Rechan	\$3,200	40%	60%	\$48.31	26,495	39,743
Roberto Reiner	\$1,900	40%	60%	\$48.31	15,731	23,597

(1) The calculation of the number of respective units to grant was determined by the CLD Committee based upon the closing stock price of our Common Stock on the date of grant of the MSUs and RSUs, January 11, 2021.

Market Stock Units (MSUs). In 2021, the CLD Committee granted MSUs for the performance-based equity component because at the time of awarding (January 2021) there still existed extreme uncertainty regarding the length of the impact of COVID-19. Therefore, rather than set long-term Company performance targets which appeared highly speculative at the time, the CLD Committee decided to use a relative performance metric for performance-based equity. The number of shares that will actually be earned will depend on our TSR for the period from January 1, 2021 through December 31, 2023 as compared to the Russell 2000 Index (Index). To earn MSUs at target, we must outperform the Index by 5 percentage points. If we under-perform this level, the percentage at which the MSUs convert into shares of our Common Stock will be reduced from 100%, at a rate of 2.5 to 1 (2½-percentage-point reduction in the number of target units for each percentage point of performance below 5 percentage points better than the Index), with a minimum percentage of 0% MSUs earned at 35 percentage points below the Index. If we outperform the Index beyond 5 percentage points better, then the percentage at which the MSUs convert to shares will be increased from 100%, at a rate of 2.5 to 1 (2½-percentage-point increase in the number of target units for each percentage point of over-performance), with a maximum percentage of 200% MSUs earned. The units earned, if any, based on actual performance will vest on January 31, 2024. The amounts shown above reflect the number of 2021 MSUs that would be earned if

the performance goals related to these awards were met at the target level at the end of the performance period. If the minimum performance threshold is not met, there will be no payout.

2021 MSUs Thresholds	Units Earned	TSR Outperformance
Maximum	200%	+45%
Target	100%	+5%
Minimum	—%	(35)%

Time-based RSUs. RSUs granted in 2021 to our NEOs vest in four equal annual installments on the four anniversaries of the grant date, assuming continued employment over the vesting period, and settle in shares of our Common Stock upon vesting.

See 2021 award detail included in the [Grants of Plan-Based Awards](#) table.

Earning of Prior Year Performance-Based Equity Awards

As stated above, performance-based equity is a key component of our executive compensation program. Once a performance period has completed, our CLD Committee certifies the performance and number of units that are earned. The following sections set forth information regarding the actual results of performance-based equity awards with performance periods that have recently completed.

2019 PRSUs

In January 2019, Messrs. A. Reiner and Schulz were awarded PRSUs as the performance-based equity component of their 2019 compensation. Messrs. Rechan and R. Reiner did not participate in such awards. The number of units (payable in shares of our Common Stock) actually earned was based on our performance against a Total Recurring Revenue goal for a two-year performance period ended December 31, 2020. If performance was below the threshold goal, no units were earned. If performance was below the threshold goal, 50% of target units were earned. If performance was equal to the target goal, 100% of the awarded units were earned. If performance was equal to or above the maximum goal, 200% of the awarded units were earned. Linear interpolation was used to determine the number of earned units if the percentage attainment of the performance goal fell between the threshold, target or maximum goals. In February 2021, the number of earned units was certified for each executive based on the award agreement formula (no discretion nor adjustment applied) as set forth in the table below. The earned units were subject to an additional one-year vesting period and vested on January 15, 2022.

Named Executive Officer	Total Recurring Revenue (\$M)			Earnout % of Target	PRSUs	
	Threshold	Target	Maximum		#Granted at Target	Units Earned
	Goals	\$206.5	\$221.4	\$236.8		
	Actual		\$215.2		79.1%	
Andres D. Reiner					79.1%	70,348
Stefan B. Schulz					79.1%	24,206

2020 PRSUs

In February 2020, Messrs. A. Reiner, Schulz and R. Reiner were awarded PRSUs as the performance-based equity component of their 2020 compensation. Mr. Rechan did not participate in such awards. The 2020 PRSUs were structured similar to the 2019 PRSUs, with performance measured over the two-year period ended December 31, 2021. In February 2022, the number of earned units was certified based on the award agreement formula (no discretion nor adjustment applied). Because total recurring revenue for 2021 was below the minimum threshold target (set pre-pandemic) of \$285 million, no units were earned. As a result, Messrs. A. Reiner, Schulz and R. Reiner forfeited (at target) 39,500, 15,100 and 10,800 PRSUs, respectively.

Other Compensation

Our NEOs are eligible to participate in our health and welfare programs, 401(k) plan, Employee Stock Purchase Plan and other benefit programs on the same basis as other U.S. employees. We also offer our NEOs reimbursement for the costs of an annual executive, comprehensive physical, although none of our NEOs utilized this benefit in 2021.

Severance Compensation and Termination Protection

We generally provide our NEOs with severance packages if they are terminated without cause (as defined in their employment agreements) or for good reason (as defined in their employment agreements) in order to attract and retain them. The amount of severance benefits is described below, and in more detail elsewhere in the section titled [Potential Payments Upon Termination or Change of Control](#). The CLD Committee reviews the potential payouts to ensure their market-competitiveness in order to incentivize our NEOs to maintain focus on both daily and long-term efforts.

Our severance compensation provisions are designed to meet the following objectives:

- *Change in Control:* As part of our normal course of business, we may engage in discussions with other companies about possible collaborations and/or other ways in which the companies may work together to further our respective long-term objectives. In certain scenarios, the potential for merger or being acquired may be in the best interests of our stockholders. We provide a component of severance compensation if a NEO is terminated as a result of a change of control transaction to promote the ability of our NEOs to act in the best interests of our stockholders even though they could be terminated as a result of the transaction.
- *Termination Without Cause or For Good Reason:* If we terminate the employment of one of our NEOs “without cause” or one of our NEOs resigns for “good reason,” each as defined in the applicable agreement, we are obligated to make certain payments based on the NEO’s then-effective base salary. We believe this is appropriate because the terminated NEO is bound by confidentiality and non-competition provisions continuing after termination. We also believe it is beneficial to have a mutually-agreed severance package in place prior to any termination event to avoid disruptive conflicts and provide us with more flexibility to make a change in management if such a change is in our and our stockholders’ best interests.

Employment Agreements

Andres D. Reiner. In December 2018, we entered into a second amended and restated employment agreement with Mr. A. Reiner, our President and CEO. This agreement will automatically renew for additional three-year terms unless the Company decides not to renew. The base salary payable to Mr. A. Reiner is subject to periodic review by our CLD Committee. In the event Mr. A. Reiner’s employment with us is terminated by him for good reason, by us without cause or we decide not to renew his agreement, he will receive (i) his full base salary each month for the following 12 months, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of a bonus at 100% of performance targets, including discretionary components, within the bonus plan in effect as if employed by us for 12 months, (iv) an amount equal to 12 times the monthly cost of Mr. A. Reiner’s health benefits, (v) the acceleration of vesting of all equity awards with respect to such shares that would have vested following his termination date, and (vi) the acceleration of vesting of all market stock awards where the number of units vesting is determined as if the performance period ended on his termination date. If Mr. A. Reiner’s employment is terminated by us without cause, if he resigns for good reason, or we decide not to renew his agreement within six months prior to, or any time after, a change of control of the Company, he will receive (i) an amount equal to 150% of his annual salary, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of an aggregate bonus equal to 100% of performance targets, including any discretionary components, within the bonus plan in effect as if employed by us for eighteen months, (iv) an amount equal to 18 times the monthly cost of Mr. A. Reiner’s health benefits, and (v) the acceleration of vesting of all equity awards with respect to shares that would have vested following the termination date. If Mr. A. Reiner’s employment with us terminates due to his death or disability, his employment will automatically terminate and he will be entitled to accelerated vesting of (i) all equity awards with respect to all shares that would have vested after the termination date, and (ii) all MSUs at 100% of the target number granted. In addition, if the surviving or acquiring entity (or its parent entity) elects not to assume, continue or substitute for the equity awards or options due under the either the 2007 Equity Incentive Plan (2007 Plan) or 2017 Plan, all outstanding equity awards and options under each plan will vest in full and become fully exercisable. Mr. Reiner is subject to non-competition and non-solicitation restrictions during the term of his employment and for the 12-month period following the termination of his employment.

Stefan B. Schulz and Leslie Rechan. In December 2018, we entered into an amended and restated employment agreement with Mr. Schulz, our Executive Vice President and Chief Financial Officer. In May 2020, we entered into an employment agreement with Mr. Rechan, our Chief Operating Officer. The agreements with these two officers utilize a similar form and provide that the agreements are for a three-year term and automatically renew for three-year terms unless the Company decides not to renew. The base salary payable to the officer is subject to periodic review by our CLD Committee. In the event the officer’s employment with us is terminated by him for good reason, by us without cause, or we decide not to renew his agreement, he will receive (i) his full base salary each month for the following 12 months, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of a bonus at 100% of performance targets, including discretionary components, within the bonus plan in effect as if employed by us for 12 months, (iv) an amount equal to 12 times the monthly cost of the officer’s health benefits, (v) the acceleration of vesting of all equity awards with respect to such shares that would have vested following the date of termination and prior to the first anniversary of his termination date, and (vi) the acceleration of vesting of all market stock awards, in the case of Mr. Schulz, or performance stock awards, in the case of Mr. Rechan, scheduled to vest prior to the first anniversary of his termination date, where the applicable performance period is deemed to have ended on his termination date. Alternatively, if the officer’s employment is terminated by us without cause, if he

resigns for good reason or we decide not to renew his agreement, in any of these cases, within six months prior to, or any time after, a change of control of the Company, he will receive (i) an amount equal to 150% of his annual salary, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of an aggregate bonus equal to 100% of performance targets, including discretionary components, within the bonus plan in effect as if employed by us for 18 months, (iv) an amount equal to 18 times the monthly cost of the officer's health benefits, and (v) the acceleration of vesting of all equity awards with respect to such shares that would have vested following the date of termination. In addition, if the surviving or acquiring entity (or its parent entity) elects not to assume, continue or substitute for the equity awards or options due under the 2007 Plan or 2017 Plan, all outstanding equity awards and options under each plan will vest in full and become fully exercisable. If the officer's employment with us terminates due to his death or disability, his employment will automatically terminate and he will be entitled to accelerated vesting of (i) all equity awards with respect to all shares that would have vested after the termination date, and (ii) all MSUs, in the case of Mr. Schulz, and all performance stock awards, in the case of Mr. Rechan, at 100% of the target number granted. Mr. Schulz and Mr. Rechan are subject to non-competition and non-solicitation restrictions during the term of his employment and for the 12-month period following the termination of his employment.

As disclosed in January 2022, the Company eliminated the role of Chief Operating Officer and Mr. Rechan's employment agreement was terminated. The Company is paying Mr. Rechan severance consistent with the terms of his employment agreement.

Roberto Reiner. In November 2019, we entered into an amended and restated employment agreement with Mr. R. Reiner, our Executive Vice President and Chief Technology Officer. As disclosed in September 2021, as part of his planned retirement from the Company, Mr. R. Reiner ceased serving as an executive officer at the end of October 2021 and retired from the Company in March 2022. Mr. R. Reiner is subject to non-competition and non-solicitation restrictions for the 12-month period following the termination of his employment.

"Cause" is defined in these employment agreements as (a) the unauthorized use or disclosure of the confidential information or trade secrets of the Company by the officer which causes a material harm to the Company, (b) the officer's conviction of, or a plea of guilty or no contest to, a felony or any other crime involving dishonesty or moral turpitude under the laws of the United States; (c) any intentional wrongdoing by the officer, whether by omission or commission, which adversely affects the business or affairs of the Company; (d) continued failure to perform assigned duties or comply with any Company policy after notice and a cure period; (e) any material breach by the officer of his employment agreement or any other agreement between the officer and the Company after notice and a cure period; and (f) any failure to cooperate in good faith with the Company in any governmental investigation or formal proceeding.

Each of our NEOs can resign for "good reason" and be entitled to certain severance payments as detailed above in the table titled "Potential Payments Upon Termination of Employment or Change of Control." "Good reason" is defined in their employment agreements as (i) a material diminution in their authority, duties or responsibilities or the assignment of duties to them that are not materially commensurate with their position with the Company, other than, in the case of the employment agreement with Mr. R. Reiner, where he is asked to assume substantially similar duties and responsibilities in a larger entity after any change of control; (ii) a material reduction in their base salaries, or in the case of Mr. Rechan his target bonus opportunity, other than reductions which are part of a general reduction affecting all employees; (iii) the relocation of their principal place of service to their employer to more than 25 miles from their present location; (iv) any failure by the Company to continue to provide them with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee holding a comparable position with the Company, in any material benefit or compensation plans and programs, which results in a material detriment to them; (v) any material breach by the Company of any provision of their employment agreement; or (vi) any failure by any successor corporation to assume the Company's obligations under the NEO's employment agreement.

Governance and Other Considerations

Tax and Accounting Considerations

Limits on Deductibility of Compensation. Section 162(m) of the Code generally prevents us from deducting as a business expense that portion of compensation paid to certain of our executive officers that exceeds \$1,000,000. The CLD Committee believes that its primary responsibility is to provide a compensation program to meet our stated business objectives, and accordingly the Company reserves the right to pay compensation that is not tax-deductible if it determines that such a payment is in the best interests of the Company and our stockholders.

Clawback Policy. Our "clawback" policy permits our Board to consider and make a decision in its sole discretion to recover, under applicable law, any incentive bonuses awarded to NEOs whose fraud or intentional misconduct significantly contributed to a restatement of financial results that led to the awarding of incentive bonuses. This "clawback" policy is designed to further link our executive compensation and our long-term performance. Additionally, the 2017 Plan provides for recovery of certain equity awards and profits from securities sales in similar circumstances.

Prohibition Against Hedging, Pledging, and Short-Sales. We have implemented both anti-hedging and anti-pledging policies, as well as a prohibition on participating in short sales of our stock, to ensure that our executives' stock remains at-risk. Our Insider Trading Policy, which applies to all employees, including officers, and non-employee directors, specifically prohibits short sales of our securities, transactions in puts, calls or other derivative securities involving our stock, hedging or monetization transactions (including but not limited to zero-cost collars, prepaid variable forwards, and equity swaps), and holding our securities in a margin account or pledging our securities as collateral for a loan.

Stock Ownership Guidelines. As part of our overall corporate governance and compensation practices, our Board adopted stock ownership guidelines for our NEOs and directors. These guidelines are designed to align our NEOs' and directors' interests with our stockholders' long-term interests by promoting long-term share ownership, which reduces the incentive for excessive short-term risk taking and further increases our NEOs' and directors' alignment with stockholder interests. These guidelines require our Chief Executive Officer to hold shares of our stock worth six times his annual salary and each other NEO is required to hold shares of our stock worth two times their annual salary. The guidelines also state that each non-employee director is required to hold shares of our stock worth five times the annual cash retainer for directors. Vested units or unvested time-based RSUs held by a NEO or director under any of our equity incentive plans are included in calculating the value of ownership to determine whether this minimum ownership requirement has been met. Our NEOs must attain this ownership threshold within five years after being appointed as a NEO. Our directors must attain this ownership threshold within six years after joining our Board. As of December 31, 2021, each of our NEOs and directors were in compliance with the applicable guidelines.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table presents the compensation paid to or earned by our NEOs during 2021, 2020 and 2019:

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Andres D. Reiner <i>President and Chief Executive Officer</i>	2021	\$ 540,000	\$ —	\$6,102,556 ⁽²⁾	\$ 685,476	\$ 11,600 ⁽³⁾	\$ 7,339,632
	2020	\$ 540,000	\$ —	\$4,766,465 ⁽⁴⁾	\$ 143,748	\$ 12,799	\$ 5,463,012
	2019	\$ 525,000	\$ —	\$4,650,003 ⁽⁵⁾	\$ 1,155,000	\$ 8,567	\$ 6,338,570
Stefan B. Schulz <i>Executive Vice President and Chief Financial Officer</i>	2021	\$ 405,000	\$ —	\$3,192,208 ⁽⁶⁾	\$ 373,896	\$ 11,600 ⁽³⁾	\$ 3,982,704
	2020	\$ 405,000	\$ —	\$2,320,417 ⁽⁷⁾	\$ 78,408	\$ 11,400	\$ 2,815,225
	2019	\$ 392,000	\$ —	\$2,000,021 ⁽⁸⁾	\$ 627,200	\$ 8,548	\$ 3,027,769
Leslie Rechan <i>former Chief Operating Officer</i>	2021	\$ 425,000	\$ —	\$3,405,029 ⁽⁹⁾	\$ 441,405	\$ —	\$ 4,271,434
	2020	\$ 298,952 ⁽¹⁰⁾	\$ 100,000 ⁽¹¹⁾	\$3,999,985 ⁽¹²⁾	\$ 58,928	\$ —	\$ 4,457,865
Roberto Reiner <i>former EVP and Chief Technology Officer</i>	2021	\$ 331,667 ⁽¹³⁾	\$ —	\$2,021,694 ⁽¹⁴⁾	\$ 267,880	\$ 9,950 ⁽³⁾	\$ 2,631,191
	2020	\$ 350,000	\$ —	\$1,668,656 ⁽¹⁵⁾	\$ 59,290	\$ 11,886	\$ 2,089,832
	2019	\$ 338,000	\$ —	\$1,800,002 ⁽¹⁶⁾	\$ 444,808	\$ 8,400	\$ 2,591,210

- (1) Represents the aggregate grant date fair value of equity awards granted in the specified fiscal year as calculated in accordance with GAAP. For additional information about equity award valuation assumptions, refer to Note 14 of our financial statements in our Form 10-K for the year ended December 31, 2021.
- (2) Represents 58,476 RSUs and 58,476 MSUs awarded to Mr. A. Reiner on January 11, 2021. The 2021 RSUs vest annually in one-fourth installments on January 11th of each year and have a grant date fair value of \$48.31 per unit. The 2021 MSUs will vest on January 31, 2024, and have a grant date fair value of \$56.05 per unit. For additional information on the 2021 RSUs and 2021 MSUs, see [Grants of Plan-Based Awards](#).
- (3) Represents 401(k) Company match.
- (4) Represents 39,500 RSUs awarded to Mr. A. Reiner on January 13, 2020 and 39,500 PRSUs awarded to Mr. A. Reiner on February 7, 2020. The 2020 RSUs vest annually in one-fourth installments on January 13th of each year and have a grant date fair value of \$66.44 per unit. The 2020 PRSUs will vest on January 13, 2023, and have a grant date fair value of \$54.23 per unit. The number of PRSUs and target award value for the 2020 PRSUs was established by the CLD Committee on January 13, 2020 but were granted on February 7, 2020 when the performance targets were finalized.
- (5) Represents 70,348 RSUs and 70,348 PRSUs awarded to Mr. A. Reiner on January 15, 2019. The 2019 RSUs vest annually in one-fourth installments on January 15th of each year and have a grant date fair value of \$33.05 per unit. The 2019 PRSUs have a grant date fair value of \$33.05 per unit, were earned at 79.1% of target and vested on January 15, 2022.
- (6) Represents 37,259 RSUs and 24,839 MSUs awarded to Mr. Schulz on January 11, 2021. The 2021 RSUs vest annually in one-fourth installments on January 11th of each year and have a grant date fair value of \$48.31 per unit. The 2021 MSUs will vest on January 31, 2024, and have a grant date fair value of \$56.05 per unit. For additional information on the 2021 RSUs and 2021 MSUs, see [Grants of Plan-Based Awards](#).
- (7) Represents 22,600 RSUs awarded to Mr. Schulz on January 13, 2020 and 15,100 PRSUs awarded to Mr. Schulz on February 7, 2020. The 2020 RSUs vest annually in one-fourth installments on January 13th of each year and have a grant date fair value of \$66.44 per unit. The 2020 PRSUs will vest on January 13, 2023, and have a grant date fair value of \$54.23 per unit. The number of PRSUs and target award value for the 2020 PRSUs was established by the CLD Committee on January 13, 2020 but were granted on February 7, 2020 when the performance targets were finalized.
- (8) Represents 36,309 RSUs and 24,206 PRSUs awarded to Mr. Schulz on January 15, 2019. The 2019 RSUs vest annually in one-fourth installments on January 15th of each year and have a grant date fair value of \$33.05 per unit. The 2019 PRSUs have a grant date fair value of \$33.05 per unit, were earned at 79.1% of target and vested on January 15, 2022.
- (9) Represents 39,743 RSUs and 26,495 MSUs awarded to Mr. Rechan on January 11, 2021. The 2021 RSUs vest annually in one-fourth installments on January 11th of each year and have a grant date fair value of \$48.31 per unit. The 2021 MSUs will vest on January 31, 2024, and have a grant date fair value of \$56.05 per unit. For additional information on the 2021 RSUs and 2021 MSUs, see [Grants of Plan-Based Awards](#).
- (10) Mr. Rechan's base salary was prorated for 2020 based on his start date as Chief Operating Officer of May 13, 2020.
- (11) Mr. Rechan was provided as part of his offer package \$100,000 reimbursement for relocation expenses to move to the United States.
- (12) Represents 132,406 RSUs awarded to Mr. Rechan on May 13, 2020. The RSUs vest annually in one-fourth installments on May 13th of each year and have a grant date fair value of \$30.21 per unit.
- (13) Mr. R. Reiner's base salary was \$350,000 through the end of October 31, 2021, his last day serving as an executive officer, and then was at an annualized rate of \$240,000 from November 1, 2021 through December 31, 2021.

- (14) Represents 23,597 RSUs and 15,731 MSUs awarded to Mr. R. Reiner on January 11, 2021. The 2021 RSUs vest annually in one-fourth installments on January 11th of each year and have a grant date fair value of \$48.31 per unit. The 2021 MSUs will vest on January 31, 2024, and have a grant date fair value of \$56.05 per unit. For additional information on the 2021 RSUs and 2021 MSUs, see [Grants of Plan-Based Awards](#).
- (15) Represents 16,300 RSUs awarded to Mr. R. Reiner on January 13, 2020 and 10,800 PRSUs awarded to Mr. R. Reiner on February 7, 2020. The 2020 RSUs vest annually in one-fourth installments on January 13th of each year and have a grant date fair value of \$66.44 per unit. The 2020 PRSUs will vest on January 13, 2023, and have a grant date fair value of \$54.23 per unit. The number of PRSUs and target award value for the 2020 PRSUs was established by the CLD Committee on January 13, 2020 but were granted on February 7, 2020 when the performance targets were finalized.
- (16) Represents 54,463 RSUs awarded to Mr. R. Reiner on January 15, 2019. The 2019 RSUs vest annually in one-fourth installments on January 15th of each year and have a grant date fair value of \$33.05 per unit.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to our NEOs during 2021:

Named Executive Officer	Type of Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)	FMV on Grant Date (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Target (#)	Maximum (#)			
Andres D. Reiner	RSU	1/11/2021						58,476	\$ 48.31	\$2,824,976
	MSU ⁽¹⁾	1/11/2021				58,476	116,952		\$ 56.05	\$3,277,580
	Cash incentive ⁽²⁾		\$118,800	\$594,000	\$1,188,000					
Stefan B. Schulz	RSU	1/11/2021						37,259	\$ 48.31	\$1,799,982
	MSU ⁽¹⁾	1/11/2021				24,839	49,678		\$ 56.05	\$1,392,226
	Cash incentive ⁽²⁾		\$ 64,800	\$324,000	\$ 648,000					
Leslie Rechan	RSU	1/11/2021						39,743	\$ 48.31	\$1,919,984
	MSU ⁽¹⁾	1/11/2021				26,495	52,990		\$ 56.05	\$1,485,045
	Cash incentive ⁽²⁾		\$ 76,500	\$382,500	\$ 765,000					
Roberto Reiner	RSU	1/11/2021						23,597	\$ 48.31	\$1,139,971
	MSU ⁽¹⁾	1/11/2021				15,731	31,462		\$ 56.05	\$ 881,723
	Cash incentive ⁽²⁾		\$ 49,000	\$245,000	\$ 490,000					

- (1) The 2021 MSUs are performance-vesting units. The 2021 MSUs vest on January 31, 2024, and the number of shares of Common Stock issuable upon vesting is based on the Company's TSR in relation to the Russell 2000 Index (Index) over a three-year measurement period ending December 31, 2023. The range of shares of Company stock that may be earned is 0% to 200%. Total MSU grant date fair value is calculated by multiplying the target number of units awarded by the grant date fair value of \$56.05 per unit. This grant date fair value per unit is estimated by the Company on the date of grant using a Monte Carlo simulation model. The model is affected by the Company's stock price and a number of assumptions including the expected volatility of the Company's stock and the Index, its risk-free interest rate and expected dividends. For more information on the assumptions and methodology used to estimate fair market value for MSUs, please see Note 14 of our financial statements in our Form 10-K for the year ended December 31, 2021.
- (2) The 2021 cash incentive plan consisted of two independent measures each with their own respective thresholds. The measure for ARR had a threshold of 30% of target while free cash flow had a threshold of 20%.

Outstanding Equity Awards at Fiscal Year End

The following table presents the number of options to purchase shares of our Common Stock, SARs, RSUs and MSUs held by our NEOs as of December 31, 2021 and the value of such awards based on the closing stock price of \$34.49 as of such date:

Named Executive Officer	Stock Awards			
	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)		Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$)	
Andres D. Reiner	20,737	(1)	\$	715,219
	35,174	(2)	\$	1,213,151
	55,645	(3)	\$	1,919,196
	29,625	(4)	\$	1,021,766
	58,476	(5)	\$	2,016,837
	7,309	(6)	\$	252,087
Stefan B. Schulz	10,417	(1)	\$	359,282
	18,155	(2)	\$	626,166
	19,146	(3)	\$	660,346
	16,950	(4)	\$	584,606
	37,259	(5)	\$	1,285,063
	3,104	(6)	\$	107,057
Leslie Rechan	99,305	(7)	\$	3,425,029
	39,743	(5)	\$	1,370,736
	3,311	(6)	\$	114,196
Roberto Reiner	13,503	(1)	\$	465,718
	27,232	(2)	\$	939,232
	12,225	(4)	\$	421,640
	23,597	(5)	\$	813,861
	1,966	(6)	\$	67,807

- (1) Represents 2018 RSUs awarded to Messrs. A. Reiner, Schulz and R. Reiner on January 8, 2018. These 2018 RSUs continue to vest annually in one-fourth installments on January 10th of each year through 2022.
- (2) Represents 2019 RSUs awarded to Messrs. A. Reiner, Schulz, Dziarsk and R. Reiner on January 15, 2019. These 2019 RSUs vest annually in one-fourth installments on January 15th of each year through 2023.
- (3) Represents 2019 PRSUs awarded to Messrs. A. Reiner and Schulz on January 15, 2019. These 2019 PRSUs were subject to both a performance condition and a time-based vesting condition. The number of 2019 PRSUs earned (79.1% of target) was determined based upon achievement by the Company against total recurring revenue targets over a performance period ending December 31, 2020. Such earned 2019 PRSUs vested on January 15, 2022.
- (4) Represents 2020 RSUs awarded to Messrs. A. Reiner, Schulz, and R. Reiner on January 13, 2020. These 2020 RSUs vest annually in one-fourth installments on January 13th of each year through 2024.
- (5) Represents 2021 RSUs awarded to Messrs. A. Reiner, Schulz, Rechan and R. Reiner on January 11, 2021. These 2021 RSUs vest annually in one-fourth installments on January 11th of each year through 2025.
- (6) Represents 2021 MSUs awarded to Messrs. A. Reiner, Schulz, Rechan and R. Reiner on January 11, 2021. These 2021 MSUs vest on January 31, 2024. The amounts shown above reflect the number of 2021 MSUs that would be earned if the performance goals related to these awards were met at the threshold level at the end of the performance period. If the minimum performance threshold is not met, there will be no payout. The number of shares that will actually be earned will depend on our TSR for the period from January 1, 2021 through December 31, 2023 as compared to the Russell 2000 Index. If the performance period had ended as of December 31, 2021, no MSUs would have been earned.
- (7) Represents RSUs awarded to Mr. Rechan in connection with his employment with the Company as Chief Operating Officer on May 13, 2020. These RSUs vest annually in one-fourth installments on May 13th of each year through 2024.

Option Exercises and Equity Awards Vested

The following table presents information on the exercises of stock options and vesting of PRSUs, RSUs and MSUs for our NEOs during the year ended December 31, 2021:

Named Executive Officer	Option Awards		Stock Awards		
	Number of shares acquired on exercise (#)	Value realized on exercise (\$)	Number of shares acquired on RSU vesting (#)	Number of shares acquired on PRSU and MSU vesting (#)	Value realized on vesting (\$)
Andres D. Reiner	—	—	69,199	165,896	\$ 11,306,278
Stefan B. Schulz	—	—	34,944	55,556	\$ 4,344,353
Leslie Rechan	—	—	33,101	—	\$ 1,257,176
Roberto Reiner	—	—	47,519	—	\$ 2,260,216

Potential Payments Upon Termination of Employment or Change of Control

The following table represents amounts payable at, following, or in connection with the events described below, assuming that such events occurred on December 31, 2021 for each of the NEOs:

Named Executive Officer	Severance	Annual Bonus Payment	Equity Grants	Welfare Benefits	Total Payment
Andres D. Reiner					
Death or Disability (1)	—	—	\$ 8,903,007	—	\$ 8,903,007
Termination (2)	\$ 1,134,000	\$ 685,476	\$ 6,886,170	\$ 20,694	\$ 8,726,340
Termination on Change of Control (3)	\$ 1,701,000	\$ 685,476	\$ 6,886,170	\$ 31,041	\$ 9,303,687
Vesting on Change of Control (4)	—	—	\$ 1,919,196	—	\$ 1,919,196
Retirement (5)	—	—	\$ 5,537,163	—	\$ 5,537,163
Stefan B. Schulz					
Death or Disability (1)	—	—	\$ 4,372,159	—	\$ 4,372,159
Termination (2)	\$ 729,000	\$ 373,896	\$ 1,848,845	\$ 20,548	\$ 2,972,289
Termination on Change of Control (3)	\$ 1,093,500	\$ 373,896	\$ 3,515,462	\$ 30,822	\$ 5,013,680
Vesting on Change of Control (4)	—	—	\$ 660,346	—	\$ 660,346
Retirement (5)	—	—	\$ 2,678,062	—	\$ 2,678,062
Leslie Rechan					
Death or Disability (1)	—	—	\$ 5,709,578	—	\$ 5,709,578
Termination (2)	\$ 807,500	\$ 441,405	\$ 1,484,361	\$ 20,694	\$ 2,753,960
Termination on Change of Control (3)	\$ 1,211,250	\$ 441,405	\$ 4,795,766	\$ 31,041	\$ 6,479,462
Vesting on Change of Control (4)	—	—	—	—	—
Retirement (5)	—	—	\$ 2,968,721	—	\$ 2,968,721
Roberto Reiner					
Death or Disability (1)	—	—	\$ 3,183,013	—	\$ 3,183,013
Termination (2)	\$ 240,000	—	—	\$ 13,066	\$ 253,066
Termination on Change of Control (3)	\$ 360,000	\$ 267,880	\$ 2,640,451	\$ 19,599	\$ 3,287,930
Vesting on Change of Control (4)	—	—	—	—	—
Retirement (5)	—	—	\$ 2,092,974	—	\$ 2,092,974

- (1) *Death or Disability*. In the event of a termination of employment due to death or disability certain equity awards will vest. For an explanation of these benefits by executive officer, see [Employment Agreements](#) above.
- (2) *Termination*. In the event of an involuntary termination of employment by the Company without Cause or a termination of employment by the executive officer for Good Reason, certain severance, bonus, equity vesting and other benefits are due. For an explanation of these benefits by executive officer and the definitions of Cause and Good Reason, see [Employment Agreements](#) above.
- (3) *Termination on Change of Control*. In the event of an involuntary termination of employment by the Company without Cause or a termination of employment by the executive officer for Good Reason, in either event during the six-month period prior to a Change of Control or after a Change of Control, certain severance, bonus, equity vesting and other benefits are due. For an explanation of these benefits by executive officer, see [Employment Agreements](#) above.
- (4) *Vesting on Change of Control*. In the event of a Change of Control, certain performance-based equity awards accelerate their vesting by their terms, with the respective performance period deemed to have ended as of the date of the Change of Control. For PRSUs, if a Change of Control occurs prior to the one-year anniversary of the beginning of a performance period, the award vests at 100% of the target award amount and the earned shares are delivered, or paid out, to the executives as of the Change of Control. For MSUs, a Change of Control triggers a measurement of performance as of the Change of Control. Earned MSUs based on this measurement are paid out to the executives as of the Change of Control pro rata based on the length of the performance period concluded prior to the Change of Control. The remaining earned MSUs vest at the end of the original performance period.

- (5) *Retirement.* In the event of retirement in which the executive provides advance notice of retirement and meets certain other qualifying conditions, certain equity awards may continue to vest post-retirement.

CEO Pay Ratio

Under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, the Company is required to provide the ratio of the annual total compensation of our Chief Executive Officer (as set forth in the Summary Compensation Table above) to the annual total compensation of the median employee of the Company (Pay Ratio Disclosure). For 2021, the annual total compensation of the median employee of the Company and its subsidiaries other than our CEO, was \$92,424. Our CEO's total annual compensation for 2021 for purposes of the Pay Ratio Disclosure was \$7.3 million. As explained in this proxy statement, our CEO's compensation as set forth in the [Summary Compensation Table](#) does not necessarily equate to actual realizable pay. The ratio of the total annual compensation of our CEO to the median of all other employees was 79:1. As SEC rules permit different methodologies, exemptions, estimates and assumptions for identifying the median employee and calculating pay ratio, our Pay Ratio Disclosure may not be comparable to the pay ratio reported by other companies.

We identified the median employee by examining the 2021 total cash compensation for all individuals, excluding our CEO, who were employed by us during the 2021 calendar year (whether employed on a full-time, part-time, or seasonal basis). For such employees, we did not make any assumptions, adjustments, or estimates with respect to total cash compensation, and we did not annualize the compensation for any full-time employees that were not employed by us for all of 2021. We used the relevant exchange rate on December 31, 2021. After identifying the median employee criteria, we calculated annual total compensation for such employee and compared it to the CEO's total compensation as set forth in the [Summary Compensation Table](#) above.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2021 with respect to compensation plans under which our equity securities are authorized for issuance. For additional information on our equity compensation plans, see Note 14 of the Notes to the Consolidated Financial Statements in our [2021 Annual Report](#).

Plan Category	I	III
	Number of securities to be issued upon exercise of outstanding options and rights (2)	Number of securities remaining available for future issuance under plans (excluding securities listed in Column (I)) (3)
All compensation plans previously approved by security holders (1)	2,344,107	4,455,309
All compensation plans not previously approved by security holders (4)	332,004	0
Total	2,676,111	4,455,309

(1) Includes awards from the 2017 Plan.

(2) Includes 1,812,643 RSUs, 125,541 MSUs (at maximum attainment of 200%), and 140,191 PRSUs (at 200%).

(3) Includes unissued award pools from the 2017 Plan and the 2013 Employee Stock Purchase Plan.

(4) Represents inducement RSU awards to employees of EveryMundo LLC in connection with our acquisition in November 2021 of EveryMundo.

PROPOSAL TWO

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

What am I voting on?

As required pursuant to Section 14A of the Exchange Act, we are providing our stockholders with the opportunity to vote to approve, on an advisory or non-binding basis, the compensation of our NEOs as disclosed in this Proxy Statement in accordance with SEC rules. We currently conduct this advisory vote on an annual basis and expect to conduct the next advisory vote at our Annual Meeting to be held in 2023.

As described in the [Executive Compensation Program](#) and [Compensation Discussion and Analysis](#) sections of this Proxy Statement, our executive compensation program is designed to attract, retain, and motivate talented individuals with the executive experience and leadership skills necessary for us to manage our business and meet our long-term objectives. We seek to provide executive compensation that is competitive with companies that are similar to us. We also seek to provide near-term and long-term financial incentives that reward well-performing executives when strategic corporate objectives designed to increase long-term stockholder value are achieved. We believe that executive compensation should include base salary, cash incentives and equity awards. We also believe that our executive officers' base salaries should be set at levels relative to comparable companies, and cash and equity incentives should generally be set at levels that give executives the opportunity to achieve above-average total compensation reflecting above-average Company performance. In particular, our executive compensation philosophy is to promote long-term value creation for our stockholders by rewarding improvement in selected financial metrics and by using equity incentives. *Please see our [Compensation Discussion and Analysis](#) and related compensation tables for detailed information about our executive compensation programs, including information about the fiscal year 2021 compensation of our NEOs.*

For the reasons discussed above, the Board unanimously recommends that stockholders vote in favor of the following resolution:

Resolved, that the stockholders approve, on an advisory basis, the compensation paid to the Company's NEOs, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

This vote is advisory and therefore not binding. However, the CLD Committee values the opinions of our stockholders and to the extent there is any significant vote against the NEO compensation as disclosed in this Proxy Statement, we will consider those stockholders' concerns, and the CLD Committee will evaluate whether any actions are necessary to address those concerns.

Note that because the advisory vote on executive compensation occurs well after the beginning of the compensation year, in most cases it may not be feasible to change any executive compensation program in consideration of any one year's advisory vote on executive compensation.

Vote Required

The affirmative vote of a majority of the outstanding shares of our Common Stock entitled to vote and present in person or represented by proxy at the Annual Meeting is required for advisory approval of this proposal. A properly executed proxy marked "ABSTAIN" with respect to this matter is considered entitled to vote, and thus will have the effect of a vote against this matter.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the Annual Meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

SECURITY OWNERSHIP

The following tables set forth information regarding beneficial ownership of our Common Stock for each person known to own beneficially more than 5% of our outstanding Common Stock, each of our NEOs, each director and director nominee, and our NEOs, directors and director nominee as a group, each as of the Record Date unless otherwise noted below. Applicable percentage of ownership is based on 45,179,184 shares of our Common Stock outstanding as of the Record Date.

Principal Shareholders and Address	Common Stock and Nature of Beneficial Ownership	Percentage
Brown Capital Management, LLC, 1201 N. Calvert Street, Baltimore, MD 21202	5,341,030 ⁽¹⁾	11.8 %
Alger Associates, Inc., 360 Park Avenue South, New York, NY 10010	3,992,606 ⁽²⁾	8.8 %
The Vanguard Group, 100 Vanguard Blvd., Malvern, PA 19355	3,843,990 ⁽³⁾	8.5 %
Conestoga Capital Advisors, LLC, 550 E. Swedesford Rd. Suite 120, Wayne, PA 19087	3,688,390 ⁽⁴⁾	8.2 %
BlackRock, Inc., 55 East 52nd Street, New York, NY 10055	3,269,882 ⁽⁵⁾	7.2 %
RGM Capital, LLC 9010 Strada Stell Court, Suite 105, Naples, FL 34109	3,215,561 ⁽⁶⁾	7.1 %
Ronald F. and Mariette M. Woestemeyer, 3200 Kirby Drive, Ste 600, Houston, TX 77098	2,909,578 ⁽⁷⁾	6.4 %

- (1) Based solely upon a Schedule 13G/A filed by Brown Capital Management, LLC (Brown) with the SEC on February 14, 2022 reporting that Brown beneficially owned 5,341,030 shares of our Common Stock as of December 31, 2021, with sole voting power with respect to 3,352,474 shares of our Common Stock and sole dispositive power with respect to 5,341,030 shares of our Common Stock.
- (2) Based solely upon a Schedule 13G/A filed by Alger Associates, Inc. (Alger) with the SEC on February 14, 2022 reporting that Alger and associated funds owned 3,992,606 shares of our Common Stock as of December 31, 2021, with sole voting and dispositive power with respect to all such shares of our Common Stock.
- (3) Based solely upon a Schedule 13G/A filed by The Vanguard Group (Vanguard) with the SEC on February 10, 2022 reporting that Vanguard owned 3,843,990 shares of our Common Stock as of December 31, 2021, with shared voting power with respect to 76,089 shares of our Common Stock, sole dispositive power with respect to 3,733,078 shares of our Common Stock and shared dispositive power with respect to 110,912 shares of our Common Stock.
- (4) Based solely upon a Schedule 13G/A filed by Conestoga Capital Advisors, LLC (Conestoga) with the SEC on January 10, 2022 reporting that Conestoga owned 3,688,390 shares of our Common Stock as of December 31, 2021, with sole voting power with respect to 3,520,742 shares of our Common Stock and sole dispositive power with respect to 3,688,390 shares of our Common Stock.
- (5) Based solely upon a Schedule 13G/A filed by BlackRock, Inc. (BlackRock) with the SEC on February 3, 2022 reporting that BlackRock beneficially owned 3,269,882 shares of our Common Stock as of December 31, 2021, with sole voting power with respect to 3,136,076 shares of our Common Stock and sole dispositive power with respect to 3,269,882 shares of our Common Stock.
- (6) Based solely upon a Schedule 13G filed by RGM Capital, LLC (RGM) with the SEC on February 11, 2022 reporting that RGM owned 3,215,561 shares of our Common Stock as of December 31, 2021, with voting and dispositive power shared with Robert G. Moses with respect to all such shares of our Common Stock.
- (7) Includes 2,903,530 shares held by various trusts for the benefit of certain family members and 4,388 shares from RSUs scheduled to vest on May 11, 2022.

Name of Beneficial Owner	Common Stock Beneficially Owned ⁽¹⁾	Percentage
Named Executive Officers		
Andres D. Reiner	986,186	2.2 %
Stefan B. Schulz	258,776	*
Non-Employee Directors and Director Nominees		
Carlos Dominguez	9,199 ⁽²⁾	*
Raja Hammoud	7,816 ⁽²⁾	*
Leland T. Jourdan	3,504 ⁽³⁾	*
Catherine A. Lesjak	7,964 ⁽²⁾	*
Greg B. Petersen	114,950 ⁽²⁾	*
William Russell	142,410 ⁽²⁾	*
Timothy V. Williams	118,180 ⁽²⁾	*
Mariette M. Woestemeyer	2,909,578 ⁽²⁾	6.4 %
All NEOs, directors and director nominees as a group	4,558,563	10.1 %

* Represents less than 1% of the outstanding shares of our Common Stock

- (1) Beneficial ownership represents sole voting and investment power.
- (2) Includes 4,388 shares from RSUs which are scheduled to vest on May 11, 2022.
- (3) Includes 3,504 shares from RSUs which are scheduled to vest on May 11, 2022.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires each of our directors and NEOs, among others, to file with the SEC an initial report of ownership and reports of changes in ownership of Common Stock of the Company. Such persons are required by SEC regulations to furnish us with copies of all such filings. Based on a review of the copies of such forms in our possession, and on written representations from reporting persons, we believe that during 2021, all of our NEOs and directors filed the required reports on a timely basis under Section 16(a).

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2021, there has not been (nor is there currently proposed), any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, and the transactions described below:

Relationships with Directors and Management

Indemnification agreements. We have entered into indemnification agreements with each of our current directors and officers. These agreements require us, among other things, to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and officers.

Employment arrangements. We have entered into employment agreements with each of our executive officers, which address, among other things, the terms of their employment, such as base salary, severance payments and payment on a change in control.

Family relationships. Mr. Roberto Reiner, who served as our Executive Vice President and Chief Technology Officer until October 1, 2021 is the brother of Andres Reiner, our President and CEO. Prior to his appointment as Executive Vice President, Mr. R. Reiner's compensation was regularly reviewed by the CLD Committee and all his equity awards were approved by the CLD Committee. When he became Executive Vice President, Mr. R. Reiner's compensation and amended and restated employment agreement were approved by the CLD Committee, and his compensation was approved by the CLD Committee thereafter. Mr R. Reiner retired from the Company effective March 1, 2022.

Procedures for Related Party Transactions

Under our Code of Business Conduct and Ethics, our employees and officers are discouraged from entering into any transaction that may cause a conflict of interest. In addition, they must report any potential conflict of interest, including related party transactions, to their managers or our compliance officer who then reviews and summarizes the proposed transaction for our Audit Committee. Pursuant to its charter, our Audit Committee must then approve any related party transactions, including those transactions involving our directors. In approving or rejecting such proposed transactions, the Audit Committee considers the relevant facts and circumstances available and deemed relevant to the Audit Committee, including the material terms of the transactions, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence. Our Audit Committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Audit Committee determines in the good faith exercise of its discretion.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available under *Corporate Governance* in the "Investor Relations" section of our website at ir.pros.com. The Audit Committee reviews and assesses the adequacy of its charter at least annually and, when appropriate, recommends changes to the Board to reflect the evolving role of the Audit Committee. The Audit Committee is composed of non-employee directors who meet the independence and financial literacy requirements of the NYSE and additional, heightened independence criteria applicable to members of the Audit Committee under SEC and NYSE rules. The Audit Committee currently consists of Timothy V. Williams (Chairman), Carlos Dominguez, Catherine A. Lesjak and Greg B. Petersen. Our Board of Directors has determined that three of the members of the Audit Committee (Messrs. Williams and Petersen and Ms. Lesjak) are an "Audit Committee financial expert" as is currently defined under SEC regulations and the rules of the NYSE and Mr. Dominguez is "financially literate" under the rules of the NYSE.

Primary Responsibilities

The Audit Committee oversees the Company's accounting and financial reporting processes on behalf of the Board of Directors and assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, and the annual independent audit of the Company's financial statements. The Audit Committee also oversees the independent auditors' qualifications and independence and the Company's internal auditors. The Company's management has the primary responsibility for preparing the Company's financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting.

Oversight of Independent Auditors

The Audit Committee engaged PricewaterhouseCoopers LLP (PwC) as our independent auditors for the year ended December 31, 2021. In its meetings with our independent auditors, the Audit Committee asks them to address, and discusses their responses to, several questions that the Audit Committee believes are relevant to its oversight. The Audit Committee also discussed with the independent auditors those matters required to be discussed by the auditors with the Audit Committee under the rules adopted by the Public Company Accounting Oversight Board (PCAOB). The Audit Committee received the written disclosures and the letter from the independent auditors required by applicable requirements of the PCAOB regarding the independent auditors' communication with the Audit Committee concerning independence, and has discussed with the independent auditors their independence.

2021 Audited Financial Statements

In its oversight role, the Audit Committee relies on the work and assurances of the Company's management. In fulfilling its oversight responsibilities in 2021, the Audit Committee reviewed and discussed with management the Company's consolidated financial statements for the fiscal year ended December 31, 2021, including a discussion of, among other things, the quality of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the Company's financial statements.

The Audit Committee has (1) reviewed and discussed the audited financial statements with management, (2) discussed with PwC, our independent registered public accounting firm, the matters required to be discussed by the Statement on Auditing Standards No. 1301, "Communications with Audit Committees", as adopted by the PCAOB, (3) received the written disclosures and the letter from the independent auditors required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with the independent auditors the independent auditor's independence, and (4) considered with the independent auditors whether the provision of non-audit services provided by them to the Company during 2021 was compatible with their independence. Based upon these discussions and reviews, the Audit Committee recommended to our Board of Directors, and the Board has approved, that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and filed with the SEC.

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Timothy V. Williams, Chairman
Carlos Dominguez
Catherine Lesjak
Greg B. Petersen

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The Audit Committee has adopted a policy for the pre-approval of services performed by our independent registered public accounting firm. Under this policy, each year the Audit Committee pre-approves the audit engagement terms and fees and may also pre-approve detailed types of audit-related and permitted tax services, subject to certain dollar limits, to be performed during the year. All other permitted non-audit services are required to be pre-approved by the Audit Committee on an engagement-by-engagement basis.

The following table summarizes the aggregate fees billed for professional services rendered to us by PwC in 2021 and 2020. A description of these various fees and services follows the table:

	2021	2020
Audit fees	\$ 2,088,472	\$ 1,604,294
Audit-related fees	\$ 300,000	—
Tax fees	—	—
All other fees	\$ 3,106	\$ 2,893
Total fees	<u>\$ 2,391,578</u>	<u>\$ 1,607,187</u>

Fees Billed by PricewaterhouseCoopers, LLP

Audit fees. The aggregate fees billed to us by PwC in connection with the annual audit of our financial statements, reviews of our financial statements included in quarterly reports on Form 10-Q, consents related to documents filed with the SEC and comfort letters, were \$2,088,472 and \$1,604,294 for the years ended December 31, 2021 and 2020, respectively.

Audit-related fees. Audit-related fees consist of fees for professional services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category may include fees related to due diligence related to mergers and acquisitions, accounting and financial reporting consultations and research necessary to comply with generally accepted audit standards. There were \$300,000 and zero audit-related fees billed for the years ended December 31, 2021 and 2020, respectively.

Tax fees. The aggregate tax fees billed to us by PwC related to tax compliance, tax advice and tax planning were zero for the years ended December 31, 2021 and 2020.

All other fees. The other fees consist of subscription fees for an accounting and auditing research tools.

Audit Committee Approval of Services

The Audit Committee is authorized by its charter to pre-approve all auditing and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee reviews and approves the independent registered public accounting firm's retention to perform attest services, including the associated fees. The Audit Committee also evaluates other known potential engagements of the independent registered public accounting firm, including the scope of the proposed work and the proposed fees, and approves or rejects each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accounting firm's independence from management. At subsequent meetings, the Audit Committee receives updates on services actually provided by the independent registered public accounting firm, and management may present additional services for approval. The Audit Committee has delegated to the chairman of the Audit Committee the authority to evaluate and approve engagements on behalf of the Audit Committee in the event that a need arises for pre-approval between Audit Committee meetings. If the Chairman approves any such engagements, he reports that approval to the full Audit Committee at its next meeting. During fiscal year 2021, all such services were pre-approved in accordance with the procedures described above.

Our Audit Committee has reviewed the fees described above and believes that such fees are compatible with maintaining the independence of PwC.

PROPOSAL THREE

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM APPOINTMENT

The Audit Committee has selected the independent registered public accounting firm of PwC to audit our consolidated financial statements for the fiscal year ending December 31, 2022. We have determined to submit the selection of auditors to stockholder ratification, even though it is not required by our governing documents or Delaware law, as a matter of good corporate governance practice. If the selection of PwC as our independent auditors is not ratified by our stockholders, our Audit Committee will reconsider, but might not change, its selection. Notwithstanding the selection and ratification, the Audit Committee, in its discretion, may appoint a different independent registered public accounting firm at any time, if it believes doing so would be in the best interests of us and our stockholders.

PwC has audited our financial statements annually since 2002. Representatives of PwC are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Vote Required

Approval of the ratification of the appointment of PwC as our independent registered public accounting firm requires the affirmative vote of the holders of at least a majority of the outstanding shares of our Common Stock entitled to vote and present or represented at the Annual Meeting. A properly executed proxy marked "ABSTAIN" with respect to this matter is considered entitled to vote and thus, will have the effect of a vote against this matter.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the Annual Meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2022.

General Information

Voting

As of the Record Date, 45,179,184 shares of Common Stock were outstanding. Each stockholder of record as of the Record Date is entitled to one vote for each share of Common Stock held by such stockholder. Only stockholders "of record" as of close of business on the Record Date are entitled to vote at the Annual Meeting.

Vote Required

Our amended and restated bylaws, as contained in the Current Report on Form 8-K filed with the SEC on April 29, 2020 (Bylaws) provide that a majority of the outstanding shares of our stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the Annual Meeting. Votes for and against, abstentions and "broker non-votes" (shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter) will each be counted as present for purposes of determining the presence of a quorum.

If a quorum is present, a plurality vote of the holders of our Common Stock entitled to vote and present or represented by proxy at the Annual Meeting is required for the election of a director. This "plurality" standard means the nominees who receive the largest number of "for" votes cast are elected as directors. Thus, the number of shares not voted for the election of a nominee (and the number of "withhold" votes cast with respect to that nominee) will not affect the determination of whether that nominee has received the necessary votes for election under Delaware law. However, the number of "withhold" votes with respect to a nominee will affect whether our Director Resignation Policy will apply to that individual. Our Director Resignation Policy provides that any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election is required to offer his or her resignation following certification of the stockholder vote. The Nominating and Corporate Governance Committee would then consider the offer of resignation and make a recommendation to our independent directors as to the action to be taken with respect to the offer. This policy does not apply in contested elections. We will not count abstentions as either for or against a director, so abstentions have no effect on the election of a director.

The affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy and voting at the Annual Meeting is required to approve the advisory vote on executive compensation and the ratification of the selection of our independent auditors. A properly executed proxy marked "abstain" with respect to any matter is considered entitled to vote, and thus, will have the effect of a vote against a matter, except for the election of directors.

Voting Instructions

Stockholders have four ways to vote:

- *Online.* You may vote online by visiting www.proxyvote.com, and entering the control number found in your proxy card. You can vote via the Internet up until 11:59 P.M. Eastern Time on May 11, 2022.
- *Telephone.* You may vote by calling the toll-free number provided on your proxy card, and following the instructions found on your proxy card. You can vote via the telephone up until 11:59 P.M. Eastern Time on May 10, 2022.
- *Mail.* If you received a printed copy of the proxy card, you may vote by filling out the card and returning it in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Annual Meeting.
- *Virtual Meeting.* You may vote at the virtual Annual Meeting by visiting www.virtualshareholdermeeting.com/PRO2022, and any previous votes that you submitted, whether by Internet, telephone or mail, will be superseded by the vote that you cast at the Annual Meeting.

If you are a beneficial owner, or you hold your shares in "street name," please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by Internet or telephone. Even if you plan on attending the virtual Annual Meeting, **we encourage you to vote in advance via the Internet**, by phone, or by mail to ensure that your vote will be represented at the Annual Meeting.

Changing your Vote

You may revoke your proxy and change your vote at any time before the taking of the vote at the Annual Meeting:

- *Online.* Using the online voting method described above, in which case only your latest internet proxy submitted prior to the Annual Meeting will be counted.
- *Telephone.* Using the telephone voting method described above, in which case only your latest telephone proxy submitted prior to the Annual Meeting will be counted.
- *Mail.* By signing and returning a new proxy card dated as of a later date, in which case only your latest proxy card or voting instruction form received prior to the Annual Meeting will be counted.

- *Virtual Meeting.* By attending the virtual Annual Meeting and voting by visiting www.virtualshareholdermeeting.com/PROS2022. However, attendance at the virtual Annual Meeting will not in and of itself revoke your proxy unless you properly vote at the virtual Annual Meeting or specifically request that your prior proxy be revoked by delivering a written notice of revocation prior to the Annual Meeting to our Corporate Secretary at or before the taking of the vote at the Annual Meeting.

Any written notice of revocation or subsequent proxy should be delivered to PROS Holdings, Inc. at 3200 Kirby Drive, Suite 600, Houston, Texas 77098, Attention: Corporate Secretary, or hand-delivered to our Corporate Secretary before the taking of the vote at the Annual Meeting.

Effect of Not Casting Your Vote

Banks, brokers and other intermediaries may not vote shares held in their clients' accounts on elections of directors and other "non-routine" matters unless the client has provided voting instructions. If you hold your shares in street name, you must cast your vote if you want it to count for purposes of Proposals One, Two and Three.

Proxy Materials are Available on the Internet

We use the internet as the primary means of furnishing proxy materials to our stockholders. We are mailing to our stockholders a Notice of Internet Availability of Proxy Materials (Notice) that contains instructions on how to access our proxy materials over the Internet, as well as how to request a paper copy of our proxy materials, including this Proxy Statement, our 2021 Annual Report and a form of proxy card or voting instruction card. The Notice was first mailed and those documents were first made available on or about April 1, 2022 to stockholders entitled to vote at the Annual Meeting. We encourage stockholders to take advantage of the availability of the proxy materials on the internet.

Eliminating Duplicate Mailings

Some banks, brokers and other nominee record holders participate in the practice of "householding," which helps reduce the environmental impact of our annual meetings and reduces our printing and mailing costs, by sending only one copy of the Notice and Proxy Statement to multiple stockholders sharing the same address. If you would prefer to receive separate copies of a proxy statement, please contact our Corporate Secretary by calling 713-335-5151 or by writing to us at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. In addition, stockholders sharing an address and receiving multiple copies can request delivery of a single copy of proxy statements upon written request to our Corporate Secretary at the address stated above.

STOCKHOLDERS PROPOSALS

Stockholders may present proposals for action at meetings of stockholders only if they comply with the rules established by the SEC, applicable Delaware law and Bylaws. No stockholder proposals were received for consideration at the Annual Meeting.

Stockholders interested in submitting a proposal for inclusion in our proxy materials and for consideration at the 2023 annual meeting of our stockholders (2023 Annual Meeting) may do so by following the procedures set forth in Rule 14a-8 under the Exchange Act. To be eligible for inclusion in such proxy materials, stockholder proposals must be received by our Corporate Secretary no later than December 2, 2022.

Under our Bylaws, for any stockholder proposal or director nomination that is not submitted for inclusion in the next year's proxy statement but instead is proposed to be presented directly at our 2023 Annual Meeting, the stockholder must provide us written notice not later than the close of business on the later of the ninetieth day prior to our 2023 Annual Meeting or the 10th day following the date on which public announcement of the date of the 2023 Annual Meeting is first made. Any such notice for director nominations must satisfy the requirements specified in Article II, Section 2.15(b) of our Bylaws. Any such notice for other stockholder proposals (other than director nomination) must satisfy the requirements specified in Article I, Section 1.10(b) of our Bylaws. In the absence of such notice meeting the above requirements, a stockholder shall not be entitled to present any business at our 2023 Annual Meeting.

Notwithstanding the above, in the event that the number of directors to be elected at an annual meeting of stockholders is increased and there is no public announcement by the Company naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the date of the Company's previous year's annual meeting of stockholders, a stockholder's notice shall also be considered timely, but only with respect to nominees for the additional directorships, if it is delivered to the Corporate Secretary at our principal executive offices not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company. In the event the Company calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person(s), for election to such positions as are specified in the Company's notice of meeting, if the stockholder's notice is delivered to the Corporate Secretary at our principal executive offices not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by our Board to be elected at such meeting.

DIRECTOR NOMINATION

Our Bylaws permit any stockholder of record to nominate directors. Stockholders who wish to submit nominees for election at an annual or special meeting of stockholders should follow the procedure described in the [Stockholder Proposals](#) section above. The NCG Committee applies the same standards in considering candidates submitted by stockholders as it does in evaluating candidates submitted by members of the Board.

EXPENSES AND SOLICITATION

We will bear the expense of soliciting proxies in the enclosed form. In addition, we might reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries representing beneficial owners of our Common Stock, for their expenses in forwarding soliciting materials to those beneficial owners. Proxies may also be solicited by our directors, officers or employees, personally or by telephone, telegram, facsimile or other means of communication. We do not intend to pay additional compensation for doing so.

NO INCORPORATION BY REFERENCE OF CERTAIN PORTIONS OF THIS PROXY STATEMENT

Notwithstanding anything to the contrary set forth in any of our filings made under the Securities Act of 1933, as amended, or the Exchange Act, as amended, that might incorporate information in this Proxy Statement, neither the Audit Committee Report nor the Compensation and Leadership Development Committee Report is to be incorporated by reference into any such filings as provided by SEC regulations. In addition, this Proxy Statement includes certain website addresses intended to provide inactive, textual references only. The information on these websites shall not be deemed part of this Proxy Statement.

OTHER MATTERS

The Board knows of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons appointed in the enclosed proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

The Board of Directors
PROS HOLDINGS, INC.

April 1, 2022



PROS HOLDINGS, INC.
 C/O BROADRIDGE CORPORATE ISSUER SOLUTIONS
 P.O. BOX 1342
 BRENTWOOD, NY 11717

Your Vote Counts!

PROS HOLDINGS, INC.

2022 Annual Meeting

Vote by May 11, 2022

11:59 PM ET



D69097-P67918

You invested in PROS HOLDINGS, INC. and it's time to vote!

You have the right to vote on proposals being presented at the Annual Meeting. **This is an important notice regarding the availability of proxy material for the stockholder meeting to be held on May 12, 2022.**

Get informed before you vote

View the Notice and Proxy Statement and Annual Report online OR you can receive a free paper or email copy of the material(s) by requesting prior to April 28, 2022. If you would like to request a copy of the material(s) for this and/or future stockholder meetings, you may (1) visit www.ProxyVote.com, (2) call 1-800-579-1639 or (3) send an email to sendmaterial@proxyvote.com. If sending an email, please include your control number (indicated below) in the subject line. Unless requested, you will not otherwise receive a paper or email copy.

For complete information and to vote, visit www.ProxyVote.com



Control #

Smartphone users

Point your camera here and vote without entering a control number



Vote Virtually at the Meeting*




May 12, 2022
 8:00 A.M. CDT

Virtually at:
www.virtualshareholdermeeting.com/PRO2022

*Please check the meeting materials for any special requirements for meeting attendance.

THIS IS NOT A VOTABLE BALLOT

This is an overview of the proposals being presented at the upcoming stockholder meeting. Please follow the instructions on the reverse side to vote these important matters.

Voting Items	Board Recommends
<p>1. Carlos Dominguez, Catherine Lesjak and Andres Reiner as Class III directors, each to hold office until the 2025 Annual Meeting and until their successor has been duly elected and qualified or until the earlier of their death, resignation or removal.</p> <p>Nominees: 01) Carlos Dominguez 02) Catherine Lesjak 03) Andres Reiner</p>	 For
<p>2. To conduct an advisory vote on named executive officer compensation.</p>	 For
<p>3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of PROS Holdings, Inc. for the fiscal year ending December 31, 2022.</p>	 For
<p>4. Transaction of other business that may properly come before the Annual Meeting.</p>	

NOTE: Such other business as may properly come before the meeting or any adjournment thereof will be voted at the proxies' discretion. The Board of Directors recommends a vote IN FAVOR OF the directors listed above, IN FAVOR OF the advisory vote on named executive officer compensation and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.

This Proxy, when properly executed, will be voted as specified. If no specification is made, the Proxy will be voted IN FAVOR OF the directors listed above, IN FAVOR OF advisory vote on named executive officer compensation and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.

Prefer to receive an email instead? While voting on www.ProxyVote.com, be sure to click "Sign up for E-delivery".

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

D69095-P67918

PROS HOLDINGS, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS ANNUAL
MEETING OF STOCKHOLDERS MAY 12, 2022

The stockholder(s) hereby appoint(s) Damian W. Olthoff and Christopher C. Chaffin, or each of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of PROS Holdings, Inc. that the stockholder(s) is/are entitled to vote at the virtual Annual Meeting of Stockholders to be held at 8:00 a.m. CDT on May 12, 2022 at www.virtualshareholdermeeting.com/PRO2022, and any adjournment or postponement thereof. Such shares shall be voted as indicated with respect to the proposals listed on the reverse side hereof and the proxies' discretion on such other matters as may properly come before the meeting or any adjournment thereof.

The Board of Directors recommends a vote IN FAVOR OF the directors listed on the reverse side, IN FAVOR OF the advisory vote on named executive officer compensation and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.

If no specification is made, this Proxy will be voted IN FAVOR OF the election of directors listed on the reverse side of this proxy card, IN FAVOR OF the advisory vote on named executive officer compensation and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.

Continued and to be signed on reverse side



PROS HOLDINGS, INC.
 c/o BROADRIDGE CORPORATE ISSUER SOLUTIONS
 P.O. BOX 1342
 BRENTWOOD, NY 11717



**SCAN TO
 VIEW MATERIALS & VOTE**



VOTE BY INTERNET

Before The Meeting - Go to www.proxyvote.com or scan the QR Barcode above

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 p.m. Eastern Time on May 11, 2022 for shares held directly and by 11:59 p.m. Eastern Time on May 7, 2022 for shares held in a Plan. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

During The Meeting - Go to www.virtualshareholdermeeting.com/PRO2022

You may attend the meeting via the Internet and vote during the meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 p.m. Eastern Time on May 11, 2022 for shares held directly and by 11:59 p.m. Eastern Time on May 7, 2022 for shares held in a Plan. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

D69094-P67918

KEEP THIS PORTION FOR YOUR RECORDS
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

<p>PROS HOLDINGS, INC. The Board recommends voting "FOR" the election of each of the three Class III director nominees.</p>		<p>For All Withhold All For All Except</p>	<p>To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.</p>
<p>1. Carlos Dominguez, Catherine Lesjak and Andres Reiner as Class III directors, each to hold office until the 2025 Annual Meeting and until their successor has been duly elected and qualified or until the earlier of their death, resignation or removal.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	<p>_____</p>	<p>Nominees: 01) Carlos Dominguez 02) Catherine Lesjak 03) Andres Reiner</p>
<p>The Board of Directors recommends you vote FOR the following proposals:</p>		<p>For Against Abstain</p>	<p>NOTE: Such other business as may properly come before the meeting or any adjournment thereof will be voted at the proxies' discretion. The Board of Directors recommends a vote IN FAVOR OF the directors listed above, IN FAVOR OF the advisory vote on named executive officer compensation and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.</p>
<p>2. To conduct an advisory vote on named executive officer compensation.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	<p>For Against Abstain</p>	<p>This Proxy, when properly executed, will be voted as specified. If no specification is made, the Proxy will be voted IN FAVOR OF the directors listed above, IN FAVOR OF advisory vote on named executive officer compensation and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.</p>
<p>3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of PROS Holdings, Inc. for the fiscal year ending December 31, 2022.</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>		
<p>4. Transaction of other business that may properly come before the Annual Meeting.</p>			
<p>Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.</p>			
<p>Signature [PLEASE SIGN WITHIN BOX]</p>	<p>Date</p>	<p>Signature (Joint Owners)</p>	<p>Date</p>

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

Form 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 2021

or

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

For the transition period from _____ to _____

Commission File Number **001-33554**



PROS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

76-0168604

(I.R.S. Employer Identification No.)

3200 Kirby Drive, Suite 600

77098

Houston, Texas

(Address of Principal Executive Offices)

(Zip code)

Registrant's telephone number, including area code: **713 335-5151**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value per share	PRO	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition 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 checked="" type="checkbox"/>	Accelerated filer	<input 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$1,805,748,754 as of June 30, 2021 based upon the closing price for the registrant's common stock on the New York Stock Exchange. This determination of affiliate status was based on publicly filed documents and is not necessarily a conclusive determination for other purposes.

45,038,234 shares of common stock were issued and outstanding as of February 10, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to its 2022 Annual Stockholders Meeting (the "2022 Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

PROS Holdings, Inc.
Annual Report on Form 10-K
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For the Year Ended December 31, 2021

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SIGNIFICANT RELATIONSHIPS REFERENCED IN THIS ANNUAL REPORT

The terms "PROS," "we," "us," and "our" refer to PROS Holdings, Inc., a Delaware corporation, and all of its subsidiaries that are consolidated in conformity with the generally accepted accounting principles in the United States of America ("GAAP").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements in this report other than historical facts are forward-looking and are based on current estimates, assumptions, trends and projections. Statements which include the words "believes," "seeks," "expects," "may," "should," "intends," "likely," "targets," "plans," "anticipates," "estimates," or the negative version of those words and similar expressions are intended to identify forward-looking statements. Numerous important factors, risks and uncertainties affect our operating results, including, without limitation, those contained in this report, and could cause our actual results to differ materially, from the results implied by these or any other forward-looking statements made by us or on our behalf. You should pay particular attention to the important risk factors and cautionary statements described in the section of this report entitled "Risk Factors". You should also carefully review the cautionary statements described in the other documents we file from time to time with the Securities and Exchange Commission ("SEC"), specifically all Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

You should not rely on forward-looking statements as predictions of future events, as we cannot guarantee that future results, levels of activity, performance or achievements will meet expectations. The forward-looking statements made herein are only made as of the date hereof, and we undertake no obligation to publicly update such forward-looking statements for any reason.

Part I

Item 1. *Business*

Overview

PROS provides solutions that optimize shopping and selling experiences. PROS solutions leverage artificial intelligence ("AI"), self-learning and automation to ensure that every transactional experience is fast, frictionless and personalized for every shopper, supporting both business-to-business ("B2B") and business-to-consumer ("B2C") companies across industry verticals. Companies can use our selling, pricing, revenue optimization, distribution and retail, and digital offer marketing solutions to assess their market environments in real time to deliver customized prices and offers. Our solutions enable buyers to move fluidly across our customers' direct sales, partner, online, mobile and emerging channels with personalized experiences regardless of which channel buyers choose. Our decades of data science and AI expertise are infused into our solutions and are designed to reduce time and complexity through actionable intelligence. Our solutions are provided via software-as-a-service ("SaaS") and are designed to achieve high levels of performance, scalability, availability and security. We provide standard configurations of our solutions based on the industries we serve and offer services to configure our solutions to meet the specific needs of each customer and manage all updates and upgrades of software deployed on the PROS cloud platform.

On November 30, 2021, we acquired EveryMundo LLC ("EveryMundo"), a privately held company based in Miami, Florida. EveryMundo is a digital offer marketing pioneer that enables brands to broaden their digital reach and deepen customer engagement, pulling a brand's customers into the brand's direct selling channels to help create superior brand experiences and foster brand loyalty over time.

Our Industry

Real-time decision making is an important driver of business performance in the digital economy. Rapidly changing markets and buyer expectations make it increasingly harder for companies to compete and grow. In response to these pressures, we believe that market forces, including increasingly dynamic and complex business models, the continued growth of eCommerce, and the exponential increase in the volume of enterprise and market data will increase demand for software solutions that enable companies to dynamically price, configure and sell their products and services across an ever-increasing set of buyer channels with speed, precision and consistency. We believe the market for solutions that can power commerce using AI and machine learning is a large, growing market that spans most major industries.

Our Solutions

Our cloud-based software solutions, built on the PROS Platform, provide companies with AI-based predictive and prescriptive guidance on key business decisions that drive growth and profitability. We focus primarily on configure price quote ("CPQ"), pricing optimization and management, airline revenue optimization, airline distribution and retail, and digital offer marketing software. Our solutions help increase visibility, business agility and customer engagement by aligning sales and pricing strategy across go-to-market channels.

PROS Platform

We believe the PROS Platform is the only unified pricing and selling platform built for an omnichannel world. The PROS Platform enables businesses to create greater margin and grow revenue by dynamically adapting their digital selling strategy to market conditions and disruption. Using our unique and proven AI-based capabilities for deep demand and margin forecasting, cost modeling and dynamic pricing, the PROS Platform continuously feeds daily decision-making and longer-term business strategy. The PROS Platform helps eliminate barriers between stakeholders in the selling process to collaborate on a customer offer and drive it to a close while accelerating pricing and selling efficiencies. The PROS Platform is comprised of PROS Smart Configure Price Quote and PROS Smart Price Optimization and Management, and is offered via composable paths based on our customers' business objectives, ranging from simple to advanced use cases with the ability to scale to broader PROS Platform capabilities over time.

PROS Smart Configure Price Quote is designed to improve sales productivity and accelerate deal velocity by automating common sales tasks. Utilizing a foundation of AI and machine learning algorithms, this solution empowers businesses to tailor every offer for every buyer, across all sales channels, leading to more personalized and engaging customer interactions. Smart Configure Price Quote enables users to find and tailor product recommendations, customize configurations, manage approvals, price just right and generate professional proposals to increase the probability of winning the sale on the first quote. Smart Configure Price Quote supports all selling scenarios including spot-order purchases, subscription orders and setup and maintenance of negotiated sales agreements. Businesses can also integrate Smart Configure Price Quote into their eCommerce portals, empowering end users to self-serve quotes with confidence. Smart Configure Price Quote is available in three editions:

- *Essentials* enables businesses to digitize and streamline their selling processes and respond quickly to customers with professional looking quotes.
- *Advantage* includes all the capabilities in the Essentials edition, plus enables businesses to sell more complex configurable products, create bills of materials and manage the lifecycle of sales purchase agreements.
- *Ultimate* includes all the capabilities in the Advantage edition, plus enables businesses to create high-volume quotes (10,000+ line items) and leverage AI and machine learning to identify new opportunities to help proactively increase account penetration with existing customers while preventing customer churn.

PROS Smart Price Optimization and Management enables businesses to optimize, personalize and harmonize pricing across the complexity of their go-to-market channels in the context of dynamic market and competitive conditions. Our price management capabilities provide a comprehensive pricing platform that offers a single source of accuracy for price management, coordination and strategy. This solution allows businesses to harmonize pricing across go-to-market channels while simultaneously increasing price discipline and protecting price attainment. Pricing users leverage this solution to deploy formulaic price strategies that can incorporate real-time information or conditional data to ensure that every delivered price is up-to-date with the latest market and competitive conditions. With the performance, power and scalability of PROS Real-Time Pricing Engine, B2B and B2C organizations can replace price lists across commerce channels with dynamic calculations for price requests, ensuring that every delivered price is cognizant of conditions at the time of request. This engine allows businesses facing volatile price competition and underlying component costs to leverage data science to systematically adjust pricing in real time. Our price optimization capabilities leverage AI-powered algorithms to provide market-relevant price guidance across sales channels that is dynamically refined to adapt to changing market conditions and buyer behavior. This predictive and prescriptive price guidance provides optimized pricing for each unique buying scenario, which is designed to help businesses drive revenue growth, recover margin leakage, accelerate quote turnaround times and increase win-rates. Smart Price Optimization and Management works with traditional eCommerce scenarios where a sales person is not involved, as well as where a sales person needs negotiation support, and in all cases this solution provides business-relevant analytics to promote explainability of the AI recommendation. PROS Smart Price Optimization and Management is available in three editions:

- *Essentials* enables businesses to create omnichannel pricing strategies and power their digital, self-service channels.

- *Advantage* includes all the capabilities in the Essentials edition, plus gives businesses the ability to leverage PROS price optimization capabilities to respond quickly to changing market patterns, with the best price, to win business and improve revenue and profitability.
- *Ultimate* includes all the capabilities in the Advantage edition, plus gives businesses the ability to inform their pricing strategies with demand and capacity forecasting or their own proprietary data science capabilities using our Extensible AI™, as well as drive more of their business to self-service channels.

PROS Platform - Travel

PROS Airline Revenue Optimization solutions enable airlines to drive revenue- and profit-maximizing business strategies through the application of advanced forecasting, optimization technologies and decision-support capabilities. These solutions are designed to empower airlines to quickly adapt to changing market conditions, differentiate customers by market and sales channel, monitor pricing and revenue management performance, and increase customer loyalty by providing the right products and services to the right customer at the right time. Our Airline Revenue Optimization suite of products includes:

- *PROS Airline Revenue Management* delivers algorithmic forecasting and network optimization for the travel industry. Airlines leverage our forecasting and optimization capabilities to determine optimal capacity levels and manage booking classes inventory to optimize revenue at the flight/network level.
- *PROS Airline Real-Time Dynamic Pricing™* is a scalable solution that offers accurate booking class availability and seat prices across all channels, while keeping the rules, fares and other data in sync. The solution dynamically applies strategies to compute both booking class availability and seat prices in real time at the time of transaction so that airlines can maximize revenue.
- *PROS Airline Group Sales Optimizer* is a group revenue and sales optimization solution powered by dynamic pricing science that enables airlines and their travel agent partners to create and manage group bookings, contracts and policies in one location.

PROS Airline Distribution and Retail solutions enable airlines to become better direct retailers by increasing their control and flexibility over how they sell and distribute offers through scalable shopping, booking and merchandising capabilities to design and distribute offers. The solutions are powered by proprietary algorithms, compliant with industry pricing and distribution standards and are entirely passenger service system-independent. Our Airline Distribution and Retail suite of products includes:

- *PROS Dynamic Offers* powers airlines' shopping, pricing and repricing by delivering fast, accurate and comprehensive flight offers to travelers across airlines' sales channels. PROS Dynamic Offers is comprised of several key offer management capabilities including ancillary merchandising, bundling, and omni-channel distribution designed to comply with International Air Transport Association ("IATA") New Distribution Capability ("NDC") data transmission standards.
- *PROS Digital Retail* offers a configurable end-to-end solution for airlines to optimize the traveler experience from inspiration to post-trip. With this IATA NDC Level 4 capable solution, airlines can increase conversion rates and upsell opportunities while having the flexibility and control to optimize user interface across their internet booking engine and mobile application.

Digital Offer Marketing

PROS digital offer marketing solutions provide performance content management and search engine marketing tools that enable businesses in the travel industry to drive their customers directly into their direct selling channels, helping create superior brand experiences and foster customer loyalty. These solutions also reduce our customer's dependency and costs associated with transactions routed through third-party intermediaries. PROS digital offer marketing solutions include:

- *airTRFX* allows airlines to launch and manage digital marketing campaigns by generating digital landing pages for every route, origin and destination in an airline's network with relevant fares and a wide range of local languages.
- *airModules* provides airlines flight search displays with relevant fares for digital advertising, including maps, histograms, mosaics, carousels, and maps.
- *FareWire* displays dynamic fares and content powered by user-search data independent of third party intermediaries.
- *airSEM* provides airline specific search engine marketing tools designed to help airlines build, launch and manage ad campaigns with real-time fares in ad copy.

Technology

Our high-performance software architecture supports real-time, high-volume transaction processing and enables us to handle the complex and demanding processing requirements of sophisticated global enterprises, including those who require sub-second response times for their customers. We provide the majority of our cloud services via cloud computing platform partners who offer Infrastructure-as-a-Service ("IaaS") and Platform-as-a-Service ("PaaS"), located in the United States, the Netherlands, Ireland, Germany, United Arab Emirates, Australia, Singapore and other countries. The use of cloud computing platform partners provides us flexibility to service customers at scale and also offers options to comply with data residency and privacy requirements. We also deliver our solutions from infrastructure designed and operated by us but secured within third-party data center facilities. Our Platform consists of single-tenant and multi-tenant cloud capabilities.

Artificial Intelligence. More than three decades of data science research and access to very large data sets underlies the robust machine learning and AI capabilities of our solutions. Our dynamic AI, including forecasting, optimization, neural networks, segmentation and reinforcement learning, allows us to leverage our deep science and research expertise in our solutions. These capabilities are industry-independent and are validated using our proprietary verification and testing processes.

Configuration and Extensibility. Our solutions are designed to handle customer business needs through self-service configuration rather than custom code. The configuration capabilities define both a business layer (including definition of user workflows, executive dashboards, analytics views, calculations, approval processes and alerts), as well as a data layer that permits configuration of data structures, including hierarchical dimensions, pricing levels and measures. We maintain our customers' configurations which allows them to use the latest version of our solutions. We also offer capabilities where scripting languages can be used to handle business requirements that are unique to individual customers. In addition, our solutions are extensible through APIs, which allows for broader and richer commerce solutions to be developed with our Platform as a core component.

Data Integration. The data needed to execute and power personalized digital buying typically resides in multiple sources, such as a company's enterprise resource planning ("ERP"), supply chain management ("SCM"), customer relationship management ("CRM"), eCommerce, reservations and inventory systems, external market data sources, spreadsheets and/or industry-specific transaction systems. Our platform interoperates with many different systems, including those that have been heavily customized to customer requirements. Our data integration capabilities bring data from disparate sources together into a single cohesive data platform, both in real time and through scheduled batch tasks. We also provide certified integration content for SAP and integration development services using industry standard tools and adapters for other common data sources and applications.

Microservices Architecture and Scalability. Our architecture contains multiple microservices in key areas. This allows for the reliability and performance necessary for real-time pricing, availability and eCommerce applications. To achieve this, we rely on industry-standard container orchestration tools, noSQL and Event Store technologies to provide high availability, redundancy, zero-downtime upgrades, horizontal scalability and geographic distribution of data.

User Interface. Our technology provides a rich and modern, browser-based interface that supports a global user base. This interface supports a wide variety of interactive charts and other data views and provides a comprehensive security model based on user role and scope of responsibility. This interface operates on a variety of internet browsers, mobile devices and tablets. We also provide native capabilities for a variety of commerce systems including Adobe Magento, Salesforce CRM and Microsoft Dynamics CRM.

Subscription Services

Our subscription services provide customers access to our software via the Internet which, as compared to an on-premises software model, helps reduce their infrastructure, installation and ongoing administration requirements. We also reduce the total cost of ownership of our cloud services over the subscription term by delivering multiple feature releases per year that automatically introduce new features, while preserving previous configurations and integrations that minimize additional customer investment for compatibility. We also provide cloud-based services to allow existing customers who previously purchased licenses to our legacy software to have access to that software within a cloud-based IT environment that we manage.

Sales, Marketing and Customer Success

We sell and market our software solutions primarily through our direct global sales force and indirectly through go-to-market partners, resellers and systems integrators. Our sales force is organized by our target markets, including automotive and industrial manufacturing, transportation and logistics, chemicals and energy, food and beverage, healthcare, high tech and travel. Our marketing activities consist of a variety of programs designed to generate sales leads, accelerate sales opportunities and build awareness of our solutions. We also use digital channels including search and content syndication to reach our target market. We host an annual customer conference, Outperform, where our customers and prospects are invited to learn about best practices from thought leaders, executives and other practitioners in using technology to compete in the digital economy, hear about our latest innovations, and network with peers across industries. We also host other smaller conferences throughout the year, host informational web seminars and participate in and sponsor other industry and trade conferences and organizations. We believe that customer adoption, support and success are critical to retaining and expanding our customer base. Our customer success team helps ensure customer satisfaction with our solutions, by working with our customers to ensure that our solutions drive value for them in order to drive customer retention. Our customer success teams help our customers drive adoption of our solutions, advise on product features and capabilities, and provide recommendations on best practices to meet our customers' business objectives.

Professional Services

To accelerate our customers' time to value, we provide software-related services, including implementation, configuration, consulting and training services. We offer in-depth expertise, proven best practices and repeatable delivery methodologies based on standardized and tested implementation processes developed through years of experience implementing our software solutions in global enterprises across multiple industries. We also offer an array of training on all aspects of our software solutions, from introductory on-demand mini-courses to multi-day hands-on deep technical classroom sessions. In addition to our own internal services team, we also work with many globally diverse third-party system integrators who have been certified to implement our software.

Maintenance and Support

Customers maintaining implementations under on-premises licenses that were purchased prior to our cloud transition may purchase, at their discretion, maintenance and support services. Maintenance enrollment entitles a customer to solicit support through a web-based interface to submit and track issues, access our online knowledge base, and receive unspecified upgrades, maintenance releases and bug fixes during the term of the support period. Revenue from maintenance and support services has continued to decline as a percentage of our total revenue since we transitioned to our cloud strategy and sold fewer on-premises licenses to our software. We expect our maintenance revenue to continue to decrease as more existing customers migrate from our legacy on-premises solutions to our cloud solutions.

Customers

We sell our solutions to customers across many industries, including automotive and industrial manufacturing, transportation and logistics, chemicals and energy, food and beverage, healthcare, high tech and travel. Our customers are generally large global enterprises and medium-sized businesses, although we also have customers that are smaller in scope of operations. In 2021, we had no single customer that accounted for 10% or more of our revenue. Our customers are also geographically diverse, as approximately 65% of our total revenue came from customers outside the U.S. for the year ended December 31, 2021.

Competition

The markets for our solutions are competitive, fragmented and rapidly evolving. For example, we have seen consolidation in the CPQ software market with large vendors acquiring smaller CPQ companies as they attempt to provide end-to-end solutions. Today, we compete in a sales ecosystem with competitors that aim to drive effectiveness and efficiency in selling, although we believe we are unmatched in our ability to deliver sales and pricing AI with usability, speed, scale and precision. We face competition from both larger and smaller competitors, including those providing industry specific software, a portion of our pricing solutions, our CPQ solutions, and a portion of our revenue management, retail, shopping and merchandising solutions in the airline industry. To a lesser extent, we compete against large enterprise application providers that have developed offerings that include competing functionality and custom solutions developed internally by businesses, which generally include some combination of spreadsheets, manual processes, external consultants and internally developed software tools.

The number of companies that we compete with has increased as we expanded into adjacent technologies. We believe our customers consider the following factors when evaluating our solutions versus competitive solutions:

- breadth and depth of product and service offerings, including functionality, performance, product architecture, data security, reliability and scalability;
- user experience;
- return on investment, total cost of ownership and time-to-value;
- applicability for all current and future selling channels;
- customer base and reputation;
- brand awareness;
- strength of AI and real-time capabilities;
- breadth and depth of integrations with the software already used by the customer;
- depth of expertise in data and pricing science; and
- industry domain expertise and functionality.

We believe that none of our competitors can provide a competitive level of all the functionality needed to support an organization interested in optimizing sales growth through AI-based omnichannel pricing, selling and revenue management. Our competitors generally compete on price or by bundling their applications with other enterprise applications, and we expect that this will continue in the future. We distinguish ourselves from these vendors through our long history of providing software solutions incorporating AI and/or machine learning, the breadth and depth of the functionality we offer, the robust integration and configuration capabilities of our solutions, our ability to handle large data volumes at scale and our proven ability to provide high-value dynamic science-based optimization software to our global customer base across industries. In the future, we believe our competition will continue to increase as we expand into adjacent market segments.

Intellectual Property

Our success and ability to compete is dependent, in part, on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing upon the proprietary rights of others. We protect our intellectual property with a combination of trade secrets, confidentiality procedures, contractual provisions, patents, trademarks, copyrights and other similar measures. We believe that reliance upon trade secrets and unpatented proprietary know-how are generally the most advantageous methods for us to protect our proprietary information.

Research and Development

We believe our software innovation is the foundation of our business and accordingly have made, and continue to make, significant investments in research and development for the enhancement of existing solutions and the development of solutions. We also believe that our long-term investments in AI and machine learning to power pricing and revenue management differentiate us from our competitors. We are committed to continuing the further development of these high-value solutions as evidenced by our continued investment in research and development. In fiscal 2021 and 2020, we incurred expenses of \$82.3 million and \$77.2 million, respectively, which is over 30% of our annual revenue, in research and development, net of capitalized internal-use software cost, to enhance our existing portfolio of solutions and to develop new solutions. Our research and development expenses include costs associated with our product management, product development and science and research groups. We conduct research and development activities predominantly in Bulgaria, France and the U.S., and also utilize third-party contractors in various countries, including Bolivia, Canada, Colombia, France, India, Romania and Mexico.

We employ data scientists, many of whom are Ph.D.'s, to advance sales, pricing and revenue management technology and its implementation in our software solutions. These scientists have specialties including, but not limited to, AI, machine learning, operations research, management science, statistics, econometrics and computational methods. Our data scientists regularly interact with our customers, product development, sales, marketing and services teams to help keep our science efforts relevant to real-world demands.

Human Capital Resources

Our mission is to help people and companies outperform. To fulfill that mission, we believe we must attract, develop, motivate and retain exceptional employees to maintain our culture and uphold our high ethical standards. As innovation is one of our core values, we believe that our commitment to innovation begins with our commitment to create an environment where our employees can thrive and reach their full potential. To accomplish this, we offer competitive total rewards, promote diversity, equity, inclusion and belonging, invest in ongoing learning and development, and focus on the future of work. Oversight of our approach to and investment in human capital resources is a key governance matter for our Board of Directors ("Board"). Directly, and through its Compensation and Leadership Development Committee, the Board engages regularly with management on human capital matters. As of December 31, 2021, we had 1,545 full-time personnel, which included 1,293 employees and 252 outsourced personnel. Our team spans 15+ countries, reflecting various backgrounds, ages, gender identities and ethnicities.

Culture. At PROS, our values and culture are embedded in everything we do. We proactively look for ways to maintain our collaborative and open company culture and further improve our organizational health, including through regular employee and management communication, periodic team events and frequent employee pulse surveys. We use insights from employee feedback, including through town halls, leader forums and other communication channels, to inform our human capital resources plans. PROS has been Certified™ by Great Place to Work® for the second year in a row, which shows the impact of our efforts. This year's designation extends our prior certification to all eligible countries, recognizing our inclusive, people-first culture on a global scale. We encourage you to visit our website for more detailed information regarding our Human Capital programs and initiatives. Nothing on our website shall be deemed incorporated by reference into this Annual Report on Form 10-K.

Total Rewards. We require a talented workforce to drive innovation, operational excellence and long-term stockholder value. We also believe that employees should be paid for what they do and how they do it, regardless of their gender, race or other personal characteristics, and we constantly strive for pay parity. We define pay parity as ensuring that employees in the same job and location are paid fairly regardless of their gender or ethnicity. To attract and retain a talented workforce, we provide total rewards programs, practices and policies designed to be market-competitive, including by benchmarking and setting pay ranges based on market data, and also considering factors such as an employee's role, skills, experience, job location and performance. We have invested in analysis and transparency to demonstrate our commitment to fair compensation and opportunity.

Our human resources management philosophy goes beyond traditional compensation and benefits. We design our total rewards to meet the needs of the whole person, not just the employee, recognizing that life events and circumstances that occur outside of work may impact what happens at work. For example, we provide a trusted time off approach in the U.S. to give employees more flexibility and control over their schedules. Our investments in employee mental health and wellness programs are also cornerstones of this philosophy. In response to the multitude of work and personal challenges presented by the COVID-19 pandemic and as we transition to the future of work, we added specific employee well-being initiatives which are discussed below.

Diversity and Inclusion. We believe diversity, equity, inclusion, and belonging ("DEIB") drive innovation and ownership. Our commitment to diversity and inclusion starts at the top with a skilled and diverse Board which provides oversight for our human capital resources efforts, including our DEIB programs and initiatives. As of December 31, 2021, the majority of our Board was comprised of either female and/or ethnically diverse directors, with both female and ethnically diverse representation on our Board for more than 10 years. As of December 31, 2021, women represent 36% of our global employees, and in the U.S., more than 50% of our employees represent minority groups, with underrepresented minorities (defined as those who identify as Black/African American, Hispanic/Latinx, Native American, Pacific Islander and/or two or more races) representing 26% of our U.S. employees.

We strive to maintain a working environment that celebrates diverse perspectives, cultures and experiences and invest in programs to engage our employees, including diversity, inclusion and harassment training. We have a heritage of fostering inclusion and belonging, awareness and education, and social interaction and camaraderie through our employee resource groups. Sponsored and funded by PROS, these employee-led groups are open to any interested employee and create spaces for our people to connect from all walks of life, grow together and build relationships and community. We are proud of what we have accomplished to advance DEIB, but we recognize we still have work to do, including how we approach the future of work.

Additional information on our diversity and inclusion strategy, diversity metrics and programs can be found on our website at pros.com/about-pros/diversity-and-inclusion. Nothing on our website shall be deemed incorporated by reference into this Annual Report on Form 10-K.

Future of Work. In response to the COVID-19 pandemic, we initially instituted a work-from-home policy for substantially all our employees and materially limited business travel. As the pandemic has brought on systemic changes to historic work habits, we have embraced a hybrid work model with an eye on the future of work. As part of this hybrid model, we emphasize flexibility, including in work location and work schedules, based on a blend of what makes sense for each employee, their team, and our business. In addition, we continue to take an integrated approach to helping our employees manage their work and personal responsibilities, with a strong focus on employee physical and mental health. Recognizing that working in a hybrid environment across our global company is a relatively new way to interact, we offer company-wide initiatives to assist our employees in managing through the changes, including productivity, mental and physical health programming, periodic recharge days and "wellness Wednesdays" with limited scheduled meetings. Additional information on our hybrid work model, pandemic response and related wellness initiatives will be included in our 2022 Proxy Statement.

Learning and Development. We believe that continuous learning cultivates innovation and that the development of our most important assets, our people, is foundational to fulfill our mission. We regularly invest in our employees' career growth and provide our employees opportunities for training on a wide range of skills designed to help them be more effective in their current and future roles. In 2021, all our employees participated in learning and development activities, including thousands of courses across a broad range of categories – leadership, inclusion and diversity, professional skills, technical and compliance. Because the development of our employees and next generation of leaders is critical to our long-term success, we annually engage in a comprehensive talent evaluation and succession planning process, including manager evaluations of all employees and detailed succession planning for all director and above roles with Board oversight for senior management and other key roles. As of December 31, 2021, 90% of our managers have completed a leadership training program we developed in partnership with the Jones Graduate School of Business at Rice University.

Corporate Information

We were incorporated in Texas in 1985. We reincorporated as a Delaware corporation in 1998. In 2002, we reorganized as a holding company in Delaware. Our principal executive offices are located at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. We report as one operating segment with our Chief Executive Officer acting as our chief operating decision maker. Our telephone number is (713) 335-5151. Our website is www.pros.com. Our website and the information that can be accessed through our website are not part of this report.

Available Information

We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits thereto, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. Our reports that are filed with, or furnished to, the SEC are also available at the SEC's website at www.sec.gov.

Annual CEO Certification

Pursuant to Section 303A.12(a) of the New York Stock Exchange ("NYSE") Listed Company Manual, on June 7, 2021, we submitted to the NYSE an annual certification signed by our Chief Executive Officer certifying that he was not aware of any violation by us of NYSE corporate governance listing standards.

Item 1A. Risk Factors

We operate in a dynamic environment that involves numerous risks and uncertainties. The following section describes some of the risks that may adversely affect our business, financial condition or results of operations, and the trading price of our common stock; these risks are categories and not listed in terms of their importance or level of risk.

Strategic, Commercial and Operational Risks

We must successfully navigate the demand, supply and operational challenges associated with the ongoing coronavirus (COVID-19) pandemic, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.

The ongoing COVID-19 pandemic and related public health measures have adversely impacted, and we expect will continue to adversely impact, many aspects of our business. Due to our subscription-based business model, the effect of the pandemic during any period may not be fully reflected in our results of operations until future periods. For example, our 2020 subscription bookings impacted our 2021 subscription revenue, as there is a timing lag between subscription bookings and the revenue recognized on those subscription bookings. If the pandemic has a substantial impact on our employees', partners' or customers' productivity and businesses, our results of operations and overall financial performance may be harmed. COVID-19 may also have the effect of heightening many of the other risks described herein, including risks associated with our customers and supply chain.

The COVID-19 pandemic has put unprecedented strain on governments, healthcare systems, educational institutions, businesses and individuals around the world, the full impact and duration of which is difficult to assess or predict. The pandemic also continues to disrupt the global economy, including through disruptions in global supply chains, turmoil in labor markets and inflation caused in part by strong consumer demand where local economies reopened. The global macroeconomic effects of the pandemic may persist for an indefinite period, including in specific geographic regions or sectors of the economy, even after the pandemic has subsided. The long-term impact of the pandemic on global economic markets continues to be highly dependent upon the actions of governments, businesses and other enterprises in response to the pandemic and the effectiveness of those actions.

Governmental authorities continue to adopt a variety of restrictions in an attempt to contain the spread of COVID-19 and its variants, including travel restrictions, quarantines, physical distancing, and business limitations and shutdowns. Compliance with these measures by us and by our prospects, customers, suppliers and other counterparties has impacted our business, and this impact could last for an indefinite period of time.

The economic impact of COVID-19 has adversely impacted a number of our prospects and customers, who continue to experience downturns or disruption in their own businesses. For example, our travel industry customers experienced unprecedented declines in demand globally in 2020, which despite some signs of recovery of in-country travel demand in 2021, may remain below pre-pandemic levels for some time. Impacted prospects and customers have in the past and may again in the future, decrease spending on technology initiatives, stall or halt implementation projects, request concessions from existing contracts, and in some cases file for bankruptcy protection. We expect that customer bookings and the related revenue and cash flows will continue to be lower than we anticipated prior to the pandemic. If a significant number of our customers impacted by COVID-19 are unable to make their contractually obligated payments to us, file for bankruptcy protection or elect to renew their current contracts with us at lower usage levels, this would have an adverse impact on our accounts receivable, subscription revenue, business, cash flows and financial condition. In response, we have postponed and may continue to postpone or cancel, planned investments in our business, which may impact our product development and rate of innovation, either of which could seriously harm our business.

The impact of COVID-19 will likely continue even after the pandemic is contained. For example, airline travel demand may remain suppressed and recovery may not follow a linear path. As there are no comparable recent events that provide guidance as to the effect, extent or duration of the current pandemic, or the resultant personal, economic and governmental reactions, we are unable to forecast the impact of COVID-19 on our bookings, revenue, results from operations, financial condition, liquidity and cash flows, and may have to take additional actions in the future that could further harm our business and financial performance. Although we expect that current cash and cash equivalent balances and cash flows that are generated from operations will be sufficient to meet our working capital needs and other capital and liquidity requirements for at least the next 12 months, if our access to capital is restricted or our borrowing costs increase, our operations and financial condition could be adversely impacted.

The disruptions caused by COVID-19, including the limitations on meeting in-person with existing and potential customers and amongst our teams because our team is dispersed, may result in inefficiencies, delays and additional costs in our

product development, sales, marketing, product implementation and customer service efforts that we cannot fully mitigate through remote work arrangements. Many employees may continue to have additional personal needs to attend to such as looking after children as a result of school closures or adjusted school calendars or family who become sick, and employees may continue to become sick themselves and be unable to work. Similarly, our business practice modifications in response to the pandemic could present challenges to maintaining our corporate culture, including employee engagement, development and productivity. We have reopened our offices on a voluntary basis as local regulations permit. The reopening of our offices has required and may continue to require non-trivial investments to manage additional risks and operational challenges, including in the design, implementation and enforcement of new workplace safety protocols. These efforts may divert management attention, and the protocols may create logistical challenges for our employees which could adversely impact employee productivity and morale. Even if we follow what we believe to be best practices, our measures may not prevent the transmission of COVID-19. Any incidents of actual or perceived transmission may expose us to liability from employee claims, adversely impact employee productivity and morale, and result in negative publicity and reputational harm.

The impacts of COVID-19 on our business continue to be uncertain, evolving, dynamic and dependent on numerous unpredictable factors outside of our control, including:

- the spread, duration and severity of COVID-19 and the mutations or variations thereof as a public health matter and its impact on governments, businesses and society generally and our clients, partners and our business;
- the duration, impact and effectiveness of measures taken by governments, businesses and society in response to COVID-19, including the availability, effectiveness and adoption of vaccines, and other legislative and regulatory measures;
- the impact of COVID-19 on overall long-term demand for air travel, including the impact on demand for business travel as a result of increased usage of videoconferencing and other technologies;
- the impact of COVID-19 on the financial health and operations of our current and prospective customers and partners, including the increase in business failures among our customers and other businesses; and
- the prioritization of technology investments and projects in light of other demands on customers and prospects caused by COVID-19, including secondary affects such as inflation, labor disruptions and talent shortages.

If we are not able to respond to and manage the impact of such events effectively, our results of operations, financial performance and overall business will be harmed. We continue to evaluate the nature and extent of the impact of COVID-19 to our business.

Our IT systems are regularly under attack. If our security measures are breached and unauthorized access is obtained to a customer's data, our data or our IT systems, our and our customers' operations may be disrupted, our reputation may be harmed, our solutions may be perceived as not being secure, customers may limit or stop using our solutions and we may incur significant legal and financial exposure and liabilities.

Our solutions involve the storage, and to a more limited extent, the transmission of our customers' proprietary information, including personal and other sensitive data. We have incurred, and expect to continue to incur, significant costs to maintain security measures designed to prevent, eliminate or alleviate known security vulnerabilities, data theft, data corruption, data loss, computer viruses, ransomware or malicious software programs or code, cyber attacks, including advanced persistent threat intrusions, by third parties and similar disruptive events (each a "Security Incident"). Given the novel and sophisticated ways that hackers and other cyber criminals engage in cyber attacks, it is reasonable to expect that despite the implementation of security measures, our security measures and the security measures of third-party providers on which we rely would not be sufficient to prevent our systems from being compromised. If these measures are breached or are insufficient to prevent or mitigate a cyber attack, whether as a result of third-party action, employee error or misconduct, design or deployment defects, or otherwise, we could experience a Security Incident. Moreover, because the scale and number of cyber attacks continue to grow and because techniques used to compromise systems change frequently and may not be recognized until launched or for an extended period of time thereafter, we may be unable to anticipate these techniques or implement adequate preventative or remediation measures in a timely manner, if at all, even when a vulnerability is known. We and the third-party providers on which we rely may not be able to address such vulnerability prior to experiencing a Security Incident. Our risk is heightened given the increase in remote work due to the COVID-19 pandemic. Additionally, during the ongoing COVID-19 pandemic, and potentially beyond as remote work and resource access expand, there is an increased risk of cybersecurity-related events such as COVID-19 themed phishing attacks, exploitation of any cybersecurity flaws that may exist, an increase in the number of

cybersecurity threats or attacks, and other security challenges as a result of most of our employees and our service providers continuing to work remotely from non-corporate managed networks.

Security Incidents could result in interruptions, delays, cessation of service and loss of existing or potential customers, as well as loss of confidence in the security of our solutions and services, damage to our reputation, negative impact to our future sales, disruption of our business, increases to our information security costs, unauthorized access to, and theft, loss or disclosure of, our and our customers' proprietary and confidential information, including personal information, litigation, governmental investigations and enforcement actions, including fines or other actions, increased stock price volatility, significant costs related to indemnity obligations, legal liability and other expenses, and material harm to our business, financial condition and results of operations. We cannot ensure that our commercial insurance will be available or sufficient to compensate us for all costs we may incur as a result of a Security Incident, and if we were to incur significant costs, our ability to obtain comparable insurance in the future may be impaired or only available at significantly increased cost.

In the normal course of our business, we experience Security Incidents. We are aware of the widely reported vulnerability in Apache's Log4j software library and have taken steps to mitigate the vulnerability in our systems. However, as with any vulnerability, there can be no assurance that our mitigation will fully prevent a Security Incident exploiting this vulnerability. There can be no assurance that future Security Incidents will not be material to our business operations, financial condition, cash flows, and results of operations.

Failure to increase business from our customers and sustain our historical renewal rates and pricing could adversely affect our future revenue and operating results.

Many of our existing customers initially purchase our software solutions for a specific business segment or geographic location within their organization, and over time we partner with them to add business segments and geographic locations within their organization. Our subscription agreements are typically for an initial term of three years, and our legacy maintenance and support agreements are typically renewed for annual terms. These customers might not choose to renew, to make additional purchases of our software solutions or to expand their existing software solutions to other business segments. In addition, as we deploy new applications and features for our software solutions or introduce new software solutions, our current customers may not purchase these new offerings. If we fail to generate additional business from our existing customers, our revenue could grow at a slower rate or even decrease.

We may not accurately predict future customer renewal rates, which can decline or fluctuate as a result of a number of factors, including customers' level of satisfaction with our services, our ability to continue to regularly add functionality, the reliability (including uptime) of our subscription services, the prices of our services, the actual or perceived information security of our systems and services, mergers and acquisitions of our customers, reductions in our customers' spending levels, or declines in customer activity as a result of economic downturns or uncertainty in financial markets, including fluctuations caused by the COVID-19 pandemic. If our customers choose not to renew their subscription, maintenance and support agreements with us on favorable terms or at all, our business, operating results, cash flows, and financial condition could be harmed.

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and operational controls or adequately address competitive challenges.

Over the past several years, we have experienced substantial growth in our customers, headcount and operations. Despite the challenges posed by COVID-19, we expect to continue to expand our customer base, headcount and operations over time. This growth has placed, and future growth will place, a significant strain on our management, general and administrative resources and operational infrastructure. Our success will depend in part on our ability to effectively manage this growth and scale our operations, which is more challenging during the COVID-19 pandemic. To manage this growth, we have and will continue to need to improve our operational, financial, management controls, reporting systems and procedures. We also need to ensure that our policies and procedures evolve to reflect our current operations and are appropriately communicated to and observed by employees, and that we continue to appropriately manage our assets. Failure to effectively manage growth could adversely impact our business performance and operating results.

We depend on third-party data centers, software, data and other unrelated service providers and any disruption from such third-party providers could impair the delivery of our service and negatively affect our business.

Our cloud products are dependent upon third-party hardware, software and cloud hosting vendors, including Microsoft Azure, IBM Softlayer and Amazon Web Services, all of which must inter-operate for end users to achieve their computing goals. We utilize third-party data center hosting facilities, cloud platform providers, and other service providers to host and

deliver our subscription services as well as for our own business operations. We host our cloud products from data centers in a variety of countries, including the United States, the Netherlands, Ireland, Germany, United Arab Emirates, Australia, Singapore and other countries. While we control and generally have exclusive access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities and they are vulnerable to damage or interruption from hurricanes, earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to Security Incidents, break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite our failover capabilities, standard protocols and other precautions, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. In addition, the ongoing COVID-19 pandemic could potentially disrupt the supply chain resulting in a delay, potentially lengthy, of hardware necessary to maintain these third-party systems or to run our business. These providers have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms or at all, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Certain of our applications are essential to our customers' ability to quote, price, and/or sell their products and services. Interruption in our service may affect the availability, accuracy or timeliness of quotes, pricing or other information and could require us to issue service credits to our customers, damage our reputation, cause our customers to terminate their use of our solutions, require us to indemnify our customers against certain losses, and prevent us from gaining additional business from current or future customers. In addition, certain of our applications require access to our customer's data which may be held by third parties, some of whom are, or may become, our competitors. For example, many of our travel industry products rely upon access to airline data held by large airline IT providers which compete against certain of our airline products. Certain of these competitors have in the past, and may again in the future, make it difficult for our airline customers to access their data in a timely and/or cost-effective manner.

Any disruption from our third-party data center, software, data or other service providers could impair the delivery of our service and negatively affect our business, damage our reputation, negatively impact our future sales and lead to legal liability and other costs.

Implementation projects involve risks which can negatively impact the effectiveness of our software, resulting in harm to our reputation, business and financial performance.

The implementation of certain of our software solutions involve complex, large-scale projects that require substantial support operations, significant resources and reliance on factors beyond our control. For example, the success of certain of our implementation projects is dependent upon the quality of data used by our software solutions and the commitment of customers' resources and personnel to the projects. We may not be able to correct or compensate for weaknesses or problems in data, or any lack of our customers' commitment and investment in personnel and resources. Further, various factors, including our customers' business, integration, migration and security requirements, or errors by us, our partners, or our customers, may cause implementations to be delayed, inefficient or otherwise unsuccessful. For example, changes in customer requirements, delays, or deviations from our recommended best practices occur during implementation projects. As a result, we may incur significant costs in connection with the implementation of our products. If we are unable to successfully manage the implementation of our software solutions, and as a result those products or implementations do not meet customer needs, expectations or timeline, we may become involved in disputes with our customers, may be unable to sell additional products or secure a renewal of the customer's subscription, and our business reputation and financial performance may be significantly harmed. If an implementation project for a large customer or a number of customers is substantially delayed or canceled, our ability to recognize the associated revenue and our operating results could be adversely affected.

If we fail to manage our cloud operations, we may be subject to liabilities and our reputation and operating results may be adversely affected.

We have experienced substantial growth in the number of customers and data volumes serviced by our cloud infrastructure in recent years. While we have designed our cloud infrastructure to meet the current and anticipated future performance and accessibility needs of our customers, we must manage our cloud operations to handle changes in hardware and software parameters, spikes in customer usage and new versions of our software. We have experienced, and may in the future experience, system disruptions, outages and other cloud infrastructure performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks (internal or external), fraud, spikes in customer usage, denial of service issues and other Security Incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Our customer agreements typically provide service level commitments on a monthly basis and for certain of our products we also offer

response time commitments. If we are unable to meet the stated service level or response time commitments, or if we suffer extended periods of unavailability for our solutions, we may be contractually obligated to issue service credits or refunds to customers for prepaid and unused subscription services, or customers may choose to terminate or not renew contracts. Any extended service outages or other performance problems could also result in damage to our reputation or our customers' businesses, cause our customers to elect not to renew or to delay or withhold payment to us, loss of future sales, lead to customers making other claims against us that could harm our subscription revenues, result in an increase in our provision for doubtful accounts, increase collection cycles for our accounts receivable or lead to the expense and risk of litigation.

If we fail to protect our intellectual property adequately, our business may be harmed.

Our success and ability to compete depends in part on our ability to protect our intellectual property. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws to protect our intellectual property rights. We cannot, however, be certain that steps we take to protect our intellectual property are adequate.

We may be required to spend significant resources to protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. The procurement and enforcement of certain intellectual property rights involves complex legal and factual considerations, and the associated legal standards are not always applied predictably or uniformly, can change, and may not provide adequate remedies. As a result, we may not be able to obtain or adequately enforce our intellectual property rights, and other companies may be better able to develop products that compete with ours. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand, competitive business position, business prospects, operating results, cash flows, and financial condition.

Our use of third-party software creates dependencies outside of our control.

We use third-party software in our software solutions. If our relations with any of these third parties are impaired, or if we are unable to obtain or develop a replacement for the software, our business could be harmed. The operation of our solutions could be impaired if errors occur in the third-party software that we utilize. It may be more difficult for us to correct any defects in third-party software because the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that these third parties continue to invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software.

We may enter into acquisitions that may be difficult to integrate, fail to achieve our strategic objectives, disrupt our business, dilute stockholder value or divert management attention.

We have completed five acquisitions since 2013, including our recent acquisition of EveryMundo, and we plan to continue to acquire other businesses, technologies and products that we intend to complement or enhance our existing business, solutions, services and technologies. We cannot provide assurance that the acquisitions we have made or may make in the future will provide us with the benefits or achieve the results we anticipated when entering into the transaction(s). Acquisitions are typically accompanied by a number of risks, including:

- difficulties in integrating the operations and personnel of the acquired companies;
- difficulties in maintaining acceptable standards, controls, procedures and policies, including integrating financial reporting and operating systems, particularly with respect to foreign and/or public subsidiaries;
- disruption of ongoing business and distraction of management;
- inability to maintain relationships with customers of the acquired business;
- impairment of relationships with employees and customers as a result of any integration of new management and other personnel;
- difficulties in incorporating acquired technology and rights into our solutions and services;
- unexpected expenses resulting from the acquisition; and

- potential unknown liabilities associated with the acquisition.

In addition, we may incur debt, acquisition-related costs and expenses, restructuring charges and write-offs as a result of acquisitions. Acquisitions may also result in goodwill and other intangible assets that are subject to impairment tests, which could result in future impairment charges. In addition, we have in the past, and may in the future, enter into negotiations for acquisitions that are not ultimately consummated. Those negotiations could result in diversion of management time and significant out-of-pocket costs. If we fail to evaluate and execute acquisitions successfully, we may not be able to achieve our anticipated level of growth and our business and operating results could be adversely affected.

Catastrophic events may disrupt our operations.

Our headquarters is located in Houston, Texas, and we conduct business in other domestic and international locations. We also rely on our network and third-party infrastructure and enterprise applications for our sales, marketing, development, services, operational support and hosted services. A disruption, infiltration or failure of our infrastructure, systems or third-party hosted services in the event of a major hurricane, earthquake, fire, flood or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics (including the ongoing COVID-19 pandemic), cyber-attack, war, terrorist attack or other catastrophic event that our business continuity and disaster recovery plans do not adequately address, could cause, among other impacts, system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. Any of these events could prevent us from fulfilling our customer obligations or could negatively impact a country or region in which we sell our products, which could in turn decrease that country's or region's demand for our products. Even though we carry business interruption insurance and typically have provisions in our contracts that protect us in certain events, we might suffer losses from business interruptions that exceed the coverage under our insurance policies or for which we do not have coverage. Any natural disaster or other catastrophic event could create a negative perception in the marketplace, delay our product innovations, or lead to lengthy interruptions in our services, breaches of data security, and losses of critical data, all of which could have an adverse effect on our operating results.

We are a multinational corporation exposed to risks inherent in international operations.

The majority of our revenues are derived from our customers outside the U.S. To date, the majority of our sales have been denominated in U.S. dollars, although the majority of our expenses that we incur in our international operations are denominated in local currencies. To date, we have not used risk management techniques or "hedged" the risks associated with fluctuations in foreign currency exchange rates. Consequently, our results of operations, cash flows, and financial condition, including our revenue and operating margins, can be subject to losses from fluctuations in foreign currency exchange rates, as well as regulatory, political, social and economic developments or instability in the foreign jurisdictions in which we operate. *For additional financial information about geographic areas, see [Note 19](#) of the Notes to the Consolidated Financial Statements.*

Our operations outside the U.S. are subject to risks inherent in doing business internationally, requiring resources and management attention, and may subject us to new or larger levels of regulatory, economic, foreign currency exchange, tax and political risks, which may be amplified by the COVID-19 pandemic. We have customers in over 60 countries internationally, which we service through our operations in the U.S., Australia, Bulgaria, Canada, France, Germany, Ireland, United Arab Emirates, United Kingdom and Singapore. We expect our international operations to continue to grow. In addition to navigating the challenges related to the ongoing COVID-19 pandemic in foreign jurisdictions, we face other risks with respect to our international operations, including:

- economic conditions in various parts of the world, particularly disruptions from the COVID-19 pandemic;
- sustained disruption to international travel from the COVID-19 pandemic and variations or mutations thereof as well as any other outbreaks of contagious diseases;
- differing labor and employment regulations, especially where labor laws are generally more advantageous to employees as compared to the U.S.;
- the difficulty of managing and staffing our international operations and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;

- unexpected changes in regulatory requirements, including changes in laws governing the geolocation or flow of data across international borders;
- less favorable intellectual property laws;
- new and different sources of competition;
- compliance with multiple, conflicting, ambiguous or evolving governmental laws and regulations, including privacy, anti-corruption, import/export, antitrust and industry-specific laws and regulations and our ability to identify and respond timely to compliance issues when they occur;
- vetting and monitoring our third-party business partners in new and evolving markets to confirm they maintain standards consistent with our brand and reputation;
- multiple, conflicting and changing tax laws and regulations that may affect both our international and domestic tax liabilities and result in increased complexity and costs;
- availability of sufficient network connectivity required for certain of our products;
- difficulties in enforcing contracts and collecting accounts receivable, especially in developing countries; and
- tariffs and trade barriers, data sovereignty, import and export controls and other regulatory or contractual limitations on our ability to sell or develop our solutions in certain foreign markets.

If we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and reduce our international sales, adversely affecting our business, operating results and financial condition.

Market and Competition Risks

Any downturn in sales to our target markets could adversely affect our operating results.

Our success is highly dependent upon our ability to sell our software solutions to customers in our target industries, including automotive and industrial manufacturing, transportation and logistics, chemicals and energy, food and beverage, healthcare, high tech and travel. If we are unable to sell our software solutions effectively to customers in these industries, we may not be able to grow our business. For example, COVID-19 has had a dramatic adverse impact on the travel industry and the timing and pace of recovery is unpredictable as further described above.

We have historically been subject to lengthy sales cycles, and delays or failures to complete sales may harm our business and cause our revenue, operating income, and cash flows to decline in the future.

Our sales cycles may take a month to over a year for large enterprise customers. A large enterprise customer's decision to use our solutions typically involves a number of internal approvals, and sales to those prospective customers generally require us to provide greater levels of education about the benefits and features of our solutions. We expend substantial resources during our sales cycles with no assurance that a sale may ultimately result. The length of each individual sales cycle depends on many factors, a number of which we cannot control, including the prospective customer's internal evaluation and approval process requirements, as well as the prospective customer's budget and/or resource constraints. In addition, as a result of the ongoing COVID-19 pandemic, many local governments as well as enterprises have limited travel and in-person meetings and implemented other restrictions making the sales process more lengthy and difficult, particularly for new customers. Any unexpected lengthening of the sales cycle or failure to secure anticipated orders could negatively affect our revenue. Any significant failure to generate sales after incurring costs related to our sales process could also have a material adverse effect on our business, financial condition, cash flows, and results of operations.

If we fail to develop or acquire new functionality and software solutions, we may not be able to grow our business and it could be harmed.

If we are unable to provide enhancements and new features for our existing software solutions or new solutions that achieve market acceptance or to integrate technology, products and services that we acquire into our platform, our business,

revenues and other operating results could be significantly adversely affected. The success of enhancements, new features and modules depends on several factors, including the timely completion, introduction and market acceptance of the enhancements or new features or modules. We have experienced, and may in the future experience, delays in the planned release dates of enhancements to our platform, and we have discovered, and may in the future discover, errors in new releases after their introduction. Either situation could result in adverse publicity, loss of sales, delay in market acceptance of our platform, or customer claims, including, among other things, warranty claims against us, any of which could cause us to lose existing customers or affect our ability to attract new customers. Furthermore, because our software solutions are intended to interoperate with a variety of third-party enterprise software solutions, we must continue to modify and enhance our software to keep pace with changes in such solutions. Any inability of our software to operate effectively with third-party software necessary to provide effective solutions to our customers, could reduce the demand for our software solutions, result in customer dissatisfaction and limit our financial performance.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The markets for enterprise software applications for CPQ, pricing optimization and management, airline revenue optimization, airline distribution and retail, and digital offer marketing are competitive, fragmented and rapidly evolving. We expect additional competition from other established and emerging companies as the markets in which we compete continue to develop and expand, as well as through industry consolidation, including through a merger or partnership of two or more of our competitors or the acquisition of a competitor by a larger company. Some of our current and potential competitors may have larger installed bases of users, longer operating histories, broader distribution, greater name recognition, and have significantly greater resources than we have. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands, and devote greater resources to the development, promotion and sale of their products.

Competition could seriously impede our ability to sell our software solutions and services on terms favorable to us. Our current and potential competitors may develop and market new technologies that render our existing or future solutions obsolete, unmarketable or less competitive. In addition, if these competitors develop solutions with similar or superior functionality to our solutions, or if they offer solutions with similar functionality at substantially lower prices than our solutions, we may need to decrease the prices for our solutions in order to remain competitive. In addition, our competitors have and may in the future, offer their products and services at a lower price, or, particularly during the ongoing COVID-19 pandemic, offer price concessions, delay payment terms, or provide financing or other terms and conditions that are more enticing to potential customers. If we are unable to maintain our current pricing due to competitive pressures, our margins could be reduced and our operating results could be adversely affected. If we do not compete successfully against current or future competitors, competitive pressures could materially and adversely affect our business, financial condition, cash flows, and operating results.

We focus primarily on CPQ, pricing optimization and management, airline revenue optimization, airline distribution and retail, and digital offer marketing software and if the markets for these software solutions develop more slowly than we expect or if we fail to capitalize on the market opportunity, our business could be harmed.

We derive most of our revenue from providing our software solutions for CPQ, pricing optimization and management, airline revenue optimization, airline distribution and retail, and digital offer marketing, as well as providing implementation services and ongoing customer support. These markets are evolving rapidly, and it is uncertain whether software for these markets will achieve and sustain high levels of demand. Our success depends on the willingness of businesses in our target markets to use the types of solutions we offer and our ability to capture share in these markets. Some businesses may be reluctant or unwilling to implement such software for a number of reasons, including failure to understand the potential returns of improving their processes, lack of knowledge about the potential benefits that such software may provide, or reluctance to change existing internal processes. Some businesses may elect to improve their sales and pricing processes through solutions obtained from their existing enterprise software providers, whose solutions are designed principally to address functional areas other than what our solutions provide. If businesses do not embrace the benefits of vendor software solutions in the areas in which we focus, then these markets may not continue to develop or may develop more slowly than we expect, either of which would significantly and adversely affect our revenue, operating results, and cash flows.

Human Capital Risks

If we cannot maintain our corporate culture, we could lose the innovation, teamwork and passion that we believe contribute to our success, and our business may be harmed.

We believe that a critical component of our success has been our corporate culture, and we invest substantial time and resources in building and maintaining our culture and developing our personnel; however, as we continue to scale our business both organically and through potential acquisitions, it may be increasingly difficult to maintain our culture. Moreover, our shift to a hybrid work environment requires significant action to preserve culture with many employees primarily working remotely and facing unique personal and professional challenges. While we have implemented many wellness, development and supportive programs for our workforce, the dramatic shift to a hybrid work environment during the COVID-19 pandemic presents unprecedented risks to our culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively pursue our strategic objectives.

If we lose key members of our management team or sales, development or operations personnel, or are unable to attract and retain employees, our business could be harmed.

Our future success depends upon the performance and service of our executive officers and other key personnel. From time to time, there may be changes in our executive management team and to other key employee roles resulting from organizational changes or the hiring or departure of executives or other employees, which could have a serious adverse effect on our business and operating results. For example, our Chief Technology Officer stepped down from his role in late 2021 as part of his planned retirement from the Company, and we recently announced the elimination of the Chief Operating Officer role. If key personnel become ill due to the ongoing COVID-19 pandemic, we may not be able to manage our business effectively and, as a result, our business and operating results could be harmed.

Our future success depends on our ability to continue to timely identify, attract and retain highly qualified personnel, including data scientists, software developers and implementation personnel, and there can be no assurance that we will be able to do so. Competition for qualified personnel is intense, particularly for technical talent in certain markets, and is exacerbated by COVID-19's impact on labor market conditions. We compete for talent with other companies that have greater resources, in large part, based on our culture and overall employee experience. With the wide market acceptance of and increase in remote work, we have experienced increased direct competition for talent, often from larger companies taking advantage of lower cost talent markets. Employee turnover creates a variety of risks including time, costs and resources required to recruit and train new employees to learn our business. The flexibility of our hybrid work approach provides us with access to greater talent pools and contributes to our hiring and retaining competitiveness but also brings costs and risks, including employment, tax, insurance and compliance risks. If we are unable to attract and retain our key employees, we may not be able to achieve our objectives, and our business could be harmed.

Failure to adequately expand and train our direct and indirect sales force may impede our growth.

To date, substantially all of our revenue has been attributable to the efforts of our direct sales force. We believe that our future growth will depend, to a significant extent, on the continued development of our direct sales force, and our sales team's ability to manage and retain our existing customer base, expand our sales to existing customers and obtain new customers. Our ability to achieve significant revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining a sufficient number of direct sales personnel. Due to a variety of factors, including performance management, attrition, competition for talent and the impact of COVID-19, we experienced significant turnover in 2021 to our direct sales force. New sales hires require significant training and often take a number of months before becoming fully productive, if at all. If we are unable to develop or retain sufficient numbers of productive direct sales personnel, our growth may be impeded.

In addition to our direct sales force, we have developed, and expect to expand, our indirect sales force via channel partners, such as management consulting firms, systems integrators and other resellers, to market, sell and/or implement our solutions. We anticipate that channel partners will become an increasingly important driver of our sales growth. We expect to invest significant resources to identify, establish, train and retain successful strategic partner relationships. If we are unable to establish and maintain our partner relationships, or otherwise develop and expand our indirect distribution channel, our sales growth rates may be limited.

Regulatory, Compliance and Litigation Risks

Increasing regulatory focus on data privacy, cyber security and data localization issues and expanding laws impact our business and expose us to increased liability.

Personal privacy, data localization and data security continue to be significant issues in the United States, Europe and many other jurisdictions. We provide our cloud software solutions globally, including in countries that have, or may adopt in the future, stringent data privacy, cyber security or data localization laws and regulations. These laws and regulations may be

inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government officials and regulators, privacy advocates and class action attorneys continue to increasingly scrutinize how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business. International laws such as the EU's General Data Protection Regulation ("GDPR"), as well as emerging and evolving state laws in the United States, such as the California Consumer Protection Act, the California Privacy Rights Act, the Virginia Consumer Data Protection Act, and the Colorado Privacy Act, could create new compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. Although we have implemented measures designed to comply with applicable requirements, the dynamic nature of these laws and regulations, as well as their interpretation by regulators and courts, may affect our ability to implement our business models effectively. In addition, our ongoing efforts to comply with these laws and regulations entail substantial expenses and may divert resources from other initiatives. Changes in these laws and regulations have in the past increased, and may continue to increase, the cost of providing our products and services, could limit us from offering certain solutions in certain jurisdictions, could adversely affect our sales cycles, and could impact our new technology innovation. In addition, our cloud software solutions store data on behalf of our customers, and if our customers fail to comply with contractual obligations or applicable laws and regulations, such non-compliance could result in litigation or reputational harm to us. Any perceived inability to adequately address privacy, data localization or cyber security compliance or to comply with more complex and numerous laws and regulations, even if unfounded, could result in liability to us and indemnification obligations, damage our reputation, inhibit sales of our solutions or harm our business, financial condition and results of operations.

Further, we are subject to evolving laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and receive personal data. The EU-U.S. and the Swiss-U.S. Privacy Shield frameworks that previously allowed U.S. companies that self-certify to the U.S. Department of Commerce and publicly commit to comply with specified requirements to import personal data from the EU and Switzerland have been invalidated by the Court of Justice of the European Union ("CJEU"). While we have historically relied on Standard Contractual Clauses ("SCCs") for such transfers and the CJEU has upheld SCCs as a valid transfer mechanism, provided those SCCs meet certain requirements, the CJEU rulings make clear that these transfer mechanisms will be subject to additional and ongoing scrutiny. On June 4, 2021, the European Commission published new SCCs for this purpose, and we are adapting our existing contractual arrangements to meet these new requirements. The validity of data transfer mechanisms in both Europe and the U.S. remain subject to legal, regulatory, and political developments in both Europe and the U.S. Recent recommendations from the European Data Protection Board, decisions from supervisory authorities, recent proposals for reform of the data transfer mechanisms for transfers of personal data outside the United Kingdom, and potential invalidation of other data transfer mechanisms, which, together with increased enforcement action from supervisory authorities in relation to cross-border transfers of personal data, could have a significant adverse effect on our ability to process and transfer personal data outside of the European Economic Area and the United Kingdom. If other jurisdictions implement restrictive regulations for cross-border data transfers (or do not permit data to leave the country of origin), such developments could adversely impact our business, financial condition, cash flows, and results of operations in those jurisdictions.

Any unauthorized, and potentially improper, actions of our personnel could adversely affect our business, operating results, cash flows, and financial condition.

The recognition of our revenue depends on, among other things, the terms negotiated in our contracts with our customers. Our personnel may act outside of their authority and negotiate additional terms without our knowledge. We have implemented policies to help prevent and discourage such conduct, but there can be no assurance that such policies will be followed. For instance, in the event that our sales personnel negotiate terms that do not appear in the contract and of which we are unaware, whether such additional terms are written or verbal, we could be prevented from recognizing revenue in accordance with our plans. Furthermore, depending on when we learn of unauthorized actions and the size of the transactions involved, we may have to restate revenue for a previously reported period, which could seriously harm our business, operating results, cash flows, financial condition and reputation with current and potential customers and investors.

Intellectual property litigation and infringement claims may cause us to incur significant expense or prevent us from selling our software solutions.

Our industry is characterized by the existence of a large number of patents, trademarks and copyrights, and by litigation based on allegations of infringement or other violations of intellectual property rights. A third-party may assert that our technology violates its intellectual property rights, or we may become the subject of a material intellectual property dispute. Selling improvement (including CPQ), pricing, airline revenue optimization (including revenue management) and airline eCommerce (including shopping, merchandising and retail, and digital offer marketing) solutions may become increasingly subject to infringement claims as the number of such commercially available solutions increases and the functionality of these solutions overlaps. In addition, changes in patent laws in the U.S. may affect the scope, strength and

enforceability of our patent rights or the nature of proceedings which may be brought by us related to our patent rights. Future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own potential patents may therefore provide little or no deterrence. Regardless of the merit of any particular claim that our technology violates the intellectual property rights of others, responding to such claims may require us to:

- incur substantial expenses and expend significant management efforts to defend such claims;
- pay damages, potentially including treble damages, if we are found to have willfully infringed such parties' patents or copyrights;
- cease making, selling or using products that are alleged to incorporate the intellectual property of others;
- distract management and other key personnel from performing their duties for us;
- enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies; and
- expend additional development resources to redesign our solutions.

Any licenses required as a result of litigation under any patent may not be made available on commercially acceptable terms, if at all. In addition, some licenses may be nonexclusive, and therefore our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around a patent, we may be unable to effectively develop or market our solutions, which could limit our ability to generate revenue or maintain profitability.

Our contract terms generally obligate us to indemnify and hold our customers harmless from certain costs arising from third-party claims brought against our customers alleging that the use of our solutions infringe intellectual property rights of others. If we are unable to resolve our legal obligations by settling or paying an infringement claim, we may be required to compensate our customers.

Our use of open source software may subject our software solutions to general release or re-engineering.

We use open source software in our solutions. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary software solutions with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software solutions. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to seek licenses from third parties in order to continue offering our software, to re-engineer our solutions, to discontinue the sale of our solutions in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, operating results, cash flows, and financial condition.

Defects or errors in our software solutions could harm our reputation, impair our ability to sell our solutions and result in significant costs to us.

Our software solutions are complex and may contain undetected defects or errors. Several of our solutions have recently been developed and may therefore be more likely to contain undetected defects or errors. In addition, we frequently develop enhancements to our software solutions that may contain defects. We have not suffered significant harm from any defects or errors to date. We have in the past issued, and may in the future need to issue, corrective releases of our solutions to correct defects or errors. The occurrence of any defects or errors could result in:

- delayed market acceptance and lost sales of our software solutions;
- delays in payment to us by customers;

- damage to our reputation;
- diversion of our resources;
- legal claims, including product liability claims, against us;
- increased maintenance and support expenses; and
- increased insurance costs.

Our agreements with our customers typically contain provisions designed to limit our liability for defects and errors in our software solutions and damages relating to such defects and errors, but these provisions may not be enforced by a court or otherwise effectively protect us from legal claims. Our liability insurance may not be adequate to cover all of the costs resulting from these legal claims. Moreover, we cannot provide assurance that our current liability insurance coverage would continue to be available on acceptable terms. In addition, the insurer may deny coverage on any future claims. The successful assertion against us of one or more large claims that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business and operating results. Furthermore, even if we prevail in any litigation, we are likely to incur substantial costs and our management's attention may be diverted from our operations.

Business Model and Capital Structure Risks

We have experienced losses since we transitioned to a cloud strategy in 2015, the COVID-19 pandemic has extended our timeline to profitability, and we may continue to incur losses for longer than we expect.

We expect our expenses to continue to exceed our revenues in the near term as we continue to make investments as part of our cloud strategy, particularly in new product development, sales, marketing, security, privacy and cloud operations. In addition, the impact of COVID-19 on our business contributed to our losses over the past two years and extended our timeline of achieving profitability. Our ability to return to profitability depends on our ability to: continue to drive subscription sales, enhance our existing products and develop new products, scale our sales and marketing and product development organizations, successfully execute our marketing and sales strategies, renew our subscription agreements with existing customers, and manage our expenses. If we are not able to execute on these actions, our business may not grow as we anticipate, our operating results could be adversely affected and we may continue to incur net losses in the future. Additionally, our new initiatives may not generate sufficient revenue and cash flows to recoup our investments in them. If any of these events were to occur, it could adversely affect our business, results of operations and financial condition.

We incurred indebtedness by issuing convertible notes, and our debt repayment obligations may adversely affect our financial condition and cash flows in the future.

In September 2020, we issued \$150.0 million principal amount of 2.25% convertible senior notes ("2027 Notes") due September 15, 2027, unless earlier redeemed, purchased or converted in accordance with their terms prior to such date. Interest is payable semi-annually in arrears on March 15 and September 15 of each year. As of December 31, 2021, the entire \$150.0 million of aggregate principal amount of 2027 Notes are outstanding.

In May 2019, we issued \$143.8 million principal amount of 1.0% convertible senior notes ("2024 Notes" and together with the 2027 Notes, the "Notes") due May 15, 2024, unless earlier redeemed, purchased or converted in accordance with their terms prior to such date. Interest is payable semi-annually in arrears on May 15 and November 15 of each year. As of December 31, 2021, the entire \$143.8 million of aggregate principal amount of 2024 Notes are outstanding.

Our indebtedness could have important consequences because it may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate or other purposes. Our ability to meet our debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We cannot control many of these factors. Our future operations may not generate sufficient cash to enable us to repay our debt. If we fail to comply with any covenants contained in the agreements governing any of our debt, or make a payment on any of our debt when due, we could be in default on such debt, which could, in turn, result in such debt and our other indebtedness becoming immediately payable in full. If we are at any time unable to pay our indebtedness when due, we may be required to renegotiate the terms of the indebtedness, seek to refinance all or a portion of the indebtedness, and/or obtain additional financing. There can be no assurance that, in the future, we will be able to successfully renegotiate such terms, that

any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

Our quarterly results may vary and may not fully reflect the performance of our business.

We generally recognize revenue from customers ratably over the terms of their subscription agreements. As a result, most of the revenue we report in each quarter is the result of agreements entered into during prior quarters. Consequently, a decline in new or renewed subscriptions in any quarter may not be reflected in our revenue for that quarter, but will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales, our failure to achieve our internal sales targets, a decline in the market demand of our services or decreases in our retention rate may not be fully reflected in our operating results until future periods. For example, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from additional sales must be recognized over the applicable subscription term. We may be unable to timely adjust our cost structure to reflect changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while subscription revenues are recognized over the term of the customer agreement. As a result, increased sales growth could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. In addition, we expect to continue to experience some seasonal variations in our cash flows from operating activities, including, as a result of the timing of payment of payroll taxes, performance bonuses to our employees and costs associated with annual company-wide events, each of which have historically been highest in our first fiscal quarter. Therefore, the results of any prior quarterly periods should not be relied upon as an indication of our future operating performance.

If we fail to migrate customers with on-premises software licenses to our latest cloud software solutions, our future revenue may be limited and our costs to provide support to those customers may increase.

Customers with on-premises licenses for our legacy software need to migrate to our current cloud solutions to take advantage of our latest features, functionality and security which are only available via the PROS cloud. When considering whether to migrate, these customers may evaluate alternative solutions due to the additional change management and implementation costs associated with migrating to cloud-based applications. When on-premises software customers delay or decline to migrate to our cloud solutions, our internal development and customer support teams find it increasingly difficult and costly to support a declining number of on-premises customers. In addition, if our legacy on-premises license customers delay or decline to migrate to our cloud solutions, choose alternative solutions or otherwise choose to not continue doing business with us by, for example, canceling maintenance, our future revenue will be affected.

If our goodwill or amortizable intangible assets become impaired, we could be required to record a significant charge to earnings.

Under GAAP, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. GAAP requires us to test for goodwill impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows and slower growth rates in our industry. We could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations.

Risks relating to Ownership of our Common Stock

Market volatility may affect our stock price and the value of your investment.

The market price for our common stock, and the software industry generally, has been and is likely to continue to be volatile. Volatility could make it difficult to trade shares of our common stock at predictable prices or times. Many factors could cause the market price of our common stock to be volatile, including the following:

- variations in our quarterly or annual operating results;
- decreases in market valuations of comparable companies;
- fluctuations in stock market prices and volumes;

- decreases in financial estimates by equity research analysts;
- announcements by our competitors of significant contracts, new solutions or enhancements, acquisitions, distribution partnerships, joint ventures or capital commitments;
- departure of key personnel;
- changes in governmental regulations and standards affecting the software industry and our software solutions;
- conversion of convertible notes into equity or sales of common stock or other securities by us in the future;
- damages, settlements, legal fees and other costs related to litigation, claims and other contingencies;
- U.S. and global economic conditions; and
- other risks described elsewhere in this section.

In the past, securities class action litigation often has been initiated against a company following a period of volatility in the market price of the company's securities. If class action litigation is initiated against us, we may incur substantial costs and our management's attention could be diverted from our operations. All of these factors could cause the market price of our stock to decline, and you may lose some or all of your investment.

Our directors, executive officers, and certain significant stockholders hold a significant portion of our outstanding shares.

At December 31, 2021, our directors and executive officers collectively control approximately 10% of our issued and outstanding common shares, and together with certain significant stockholders, including investment funds associated with Brown Capital Management, LLC, Vanguard Group Inc., BlackRock, Inc., Conestoga Capital Advisors, LLC, Fred Alger Management, LLC and RGM Capital, LLC, control approximately 63% of our issued and outstanding common shares. In the event that these stockholders each independently decided to vote for or against matters requiring stockholder approval, they could influence such matters in ways that may not align with your specific interests as a stockholder, including the election of directors and approval of significant corporate transactions. This concentration of ownership could affect the market price of our shares if there is a sale by this group of stockholders, and could also have the effect of delaying or preventing a change in control of us even if such change of control could be beneficial to you as a stockholder.

Anti-takeover provisions in our Certificate of Incorporation and Bylaws and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Our Certificate of Incorporation and Bylaws and Section 203 of the Delaware General Corporation Law contain provisions that might enable our management to resist a takeover of our company. These provisions include the following:

- the division of our board of directors into three classes to be elected on a staggered basis, one class each year;
- a prohibition on actions by written consent of our stockholders;
- the elimination of the right of stockholders to call a special meeting of stockholders;
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders;
- a requirement that a supermajority vote be obtained to amend or repeal certain provisions of our certificate of incorporation; and
- the ability of our board of directors to issue preferred stock without stockholder approval.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. Although we believe these provisions collectively provide for an opportunity to obtain higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if an offer were

considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

We do not intend to pay dividends for the foreseeable future.

We do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our available cash, if any, for use as working capital, repayment of debt and for other general corporate purposes. Consequently, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our headquarters is located in Houston, Texas, where we lease approximately 118,000 square feet of office space. We also lease a number of smaller regional offices. We believe our existing facilities are sufficient for our current needs, particularly as we have pivoted to a hybrid workforce.

Item 3. *Legal Proceedings*

In the ordinary course of our business, we may be involved in various legal proceedings and claims. The outcomes of these matters are inherently unpredictable. We are not currently involved in any outstanding litigation that we believe, individually or in the aggregate, will have a material adverse effect on our business, results of operations or financial condition.

Item 4. *Mine Safety Disclosures*

Not applicable.

Part II

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

Market Information, Holders and Dividends

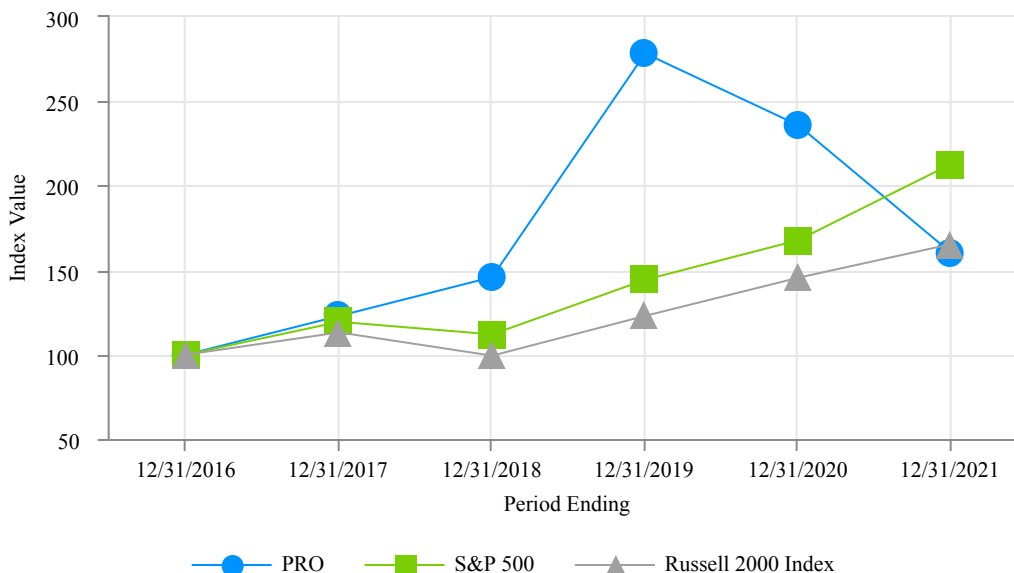
Our common stock is listed on the NYSE under the symbol "PRO". On February 10, 2022 there were 43 stockholders of record of our common stock. Since 2007, we have not declared or paid any dividends on our common stock. We currently expect to retain all remaining available funds and any future earnings for use in the operation and development of our business. Accordingly, we do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future.

Performance Graph

The following shall not be deemed "soliciting material" or "filed" with the SEC, or incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The graph below presents a five-year comparison of the relative investment performance of our common stock, the Standard & Poor’s 500 Stock Index ("S&P 500"), and the Russell 2000 Index for the period commencing on December 31, 2016, and ending December 31, 2021. The graph is not meant to be an indication of our future performance.

Comparison of Cumulative Total Return



(1) The graph assumes that \$100 was invested on December 31, 2016 in our common stock, the S&P 500 and the Russell 2000 Index and further assumes all dividends were reinvested. No cash dividends have been paid on our common stock for the periods presented above.

Company/Index	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
PRO	\$ 100.00	\$ 122.91	\$ 145.91	\$ 278.44	\$ 235.92	\$ 160.27
S&P 500	\$ 100.00	\$ 119.42	\$ 111.97	\$ 144.31	\$ 167.77	\$ 212.89
Russell 2000 Index	\$ 100.00	\$ 113.14	\$ 99.37	\$ 122.94	\$ 145.52	\$ 165.45

Issuer Purchase of Equity Securities

On August 25, 2008, we announced that the Board of Directors authorized a stock repurchase program for the purchase of up to \$15.0 million of our common stock. Under the Board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

During 2021, we did not make any purchases of our common stock under this program. As of December 31, 2021, \$10.0 million remains available under the stock repurchase program.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities for the year ended December 31, 2021.

Item 6. Reserved

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

Executive Summary

In 2021, we continued to grow our subscription revenue by enabling our customers to leverage our AI-driven solutions to help them compete in the digital economy, and improved our cash metrics while managing the continuing impact of the COVID-19 pandemic. For the year ended December 31, 2021, our subscription revenue grew by 4% as we experienced improved gross revenue retention rates, subscription bookings consistent with 2020 levels and some customer project delays. Other notable items for 2021 included:

- subscription revenue accounted for 71% of total revenue;
- recurring revenue, which consists of subscription and maintenance and support revenue, accounted for 85% of our total revenue;
- annual recurring revenue ("ARR") on a constant currency basis was \$229.2 million as of December 31, 2021, up 9% year-over-year;
- we were designated as a Great Place to Work® company for the second year in a row; and
- we acquired EveryMundo, a digital offer marketing pioneer that enables brands to broaden their digital reach and deepen customer engagement.

Our 2020 new customer subscription bookings impacted 2021 subscription revenue, as there is a lag between subscription bookings and the revenue recognized on those subscription bookings. While our gross revenue retention rates continued to improve throughout 2021 and were over 93% for the year ended December 31, 2021, our new customer bookings were consistent with 2020 levels due to several factors. The ongoing disruption of COVID-19 led to continued unpredictability and inconsistency in our prospective customer purchasing decisions, including in the airline industry where certain technology investments were not prioritized as airlines focused on operational recovery. We also noted continued strong competition and pricing pressure in several of our markets. Recently, we have flattened our go-to-market organization to drive greater speed into our business and more consistent execution.

ARR is one of our key performance metrics to assess the health and trajectory of our overall business. ARR, a non-GAAP financial measure, is defined, as of a specific date, as contracted recurring revenue, including contracts with a future start date, together with annualized overage fees incurred above contracted minimum transactions, and excluding perpetual and term license agreements recognized as license revenue in accordance with GAAP. ARR should be viewed independently of revenue, deferred revenue and other GAAP measures, and is not intended to be combined with any of these items. We adjust our reported ARR on an annual basis to reflect any material exchange rate changes. Our constant currency ARR is based on currency rates set at the start of the year and held constant throughout the year, and the same rates are used to measure both 2021 and 2020 ARR. Total ARR on a constant currency basis as of December 31, 2021 was \$229.2 million, up from \$209.7 million as of December 31, 2020, an increase of 9%. Total ARR on an as reported basis as of December 31, 2021 was \$226.7 million, or approximately \$2.5 million lower than our constant currency ARR.

Net cash used in operating activities was \$18.6 million for the year ended December 31, 2021, as compared to \$49.4 million for the year ended December 31, 2020. The improvement was attributable to lower overall operating expenses, improved customer retention rates as well as the timing of customer collections from several customers deferring payments in 2020 as a result of COVID-19. In addition, we had a lower annual incentive payment in 2021 as compared to prior year.

Free cash flow is another key metric to assess the strength of our business. We define free cash flow, a non-GAAP financial measure, as net cash provided by (used in) operating activities minus capital expenditures (excluding expenditures for PROS new headquarters), purchases of other (non-acquisition-related) intangible assets and capitalized internal-use software development costs. We believe free cash flow may be useful to investors and other users of our financial information in evaluating the amount of cash generated by our business operations. Free cash flow used for the year ended December 31, 2021 was \$20.2 million, compared to \$53.3 million for the year ended December 31, 2020. The change was mainly due to the improvement in net cash used in operating activities in 2021 as compared to 2020. The following is a reconciliation of free cash flow to the most comparable GAAP measure, net cash provided by (used in) operating activities:

	Year Ended December 31,	
	2021	2020
Net cash used in operating activities	\$ (18,555)	\$ (49,389)
Purchase of property and equipment (excluding new headquarters)	(1,655)	(2,248)
Capitalized internal-use software development costs	—	(1,686)
Free cash flow	<u>\$ (20,210)</u>	<u>\$ (53,323)</u>

Factors Affecting Our Performance

Key factors and trends that have affected and we believe will continue to affect our operating results include:

- COVID-19 Global Impact.* The ongoing COVID-19 pandemic continues to have a wide-spread and fluid impact on the global economy and on our business, particularly as the virus continues to evolve and variants such as Omicron spread. While we are encouraged by the increased availability of vaccines and reopening of markets, the full duration and impact of the COVID-19 pandemic remains uncertain. The economic impact of COVID-19 continues to vary significantly by geography and industry, including through disruptions in supply chains, turmoil in labor markets and inflation caused in part by strong consumer demand where local economies reopened. As explained below, COVID-19 has accelerated existing trends with respect to digital commerce, and the economic impact of COVID-19 has also affected our business. The travel industry, a sector served by our solutions, was particularly adversely impacted by unprecedented declines in travel demand early in the pandemic which forced airlines to respond by initially significantly reducing capacity and costs, adjusting corporate liquidity and, in certain cases, filing for bankruptcy protection. While the timeline for recovery of the overall travel industry remains fluid and dynamic, with significant geographic variation, the airline industry began to show signs of recovering in 2021, although not to pre-COVID levels. With recovery of flight schedules and passenger volumes, some of which has been rapid, airlines have faced operational challenges in managing severe fluctuations, including staffing shortages. As a result, airlines and their IT staffs, which face their own staffing challenges, generally have de-emphasized certain technology projects as they focus on near-term cost reductions and operational stability. In addition, many of our customers are also working remotely, which in some cases has delayed, and may continue to impact, the timing of new business and implementations of our solutions. For a full discussion on the risks and uncertainties to our business associated with COVID-19, please see the "Risk Factors" section above.
- COVID-19 Financial Impact.* Given our primarily subscription-based revenue model, the global economic impact of COVID-19 adversely impacted our revenue during 2021 due to the prior year's lower customer subscription bookings, customer contract restructuring and project delays, and a decrease in revenue retention rates. Our prior year customer subscription bookings impacted 2021 subscription revenue growth given the lag between subscription bookings and the revenue recognized on those subscription bookings. While our customer base spans a variety of industries and geographies, our customers, particularly travel and travel-related customers, have been and may continue to be negatively impacted by COVID-19. This has resulted in and may continue to result in delayed purchasing decisions from prospective customers and reduced customer demand. Although we supported certain customers who requested concessions during 2020 by deferring payments, we have since collected a substantial majority of the amounts associated with these concessions. We expect the ongoing global economic impact of COVID-19 will continue to affect our revenue in 2022, as the continuing impact of COVID-19 and rate of economic recovery remains uncertain and varies across industries and geographies.
- Buying and Consumer Preferences Driving Technology Adoption.* Corporate buyers are increasingly demanding the same type of digital buying experience they enjoy as consumers. Buyers often prefer not to interact with sales representatives as their primary source of research, and increasingly prefer to buy online when they have already decided what to buy. This trend has accelerated as a result of the COVID-19 pandemic. In response, we believe businesses are increasingly modernizing their sales process to compete in digital commerce by adopting technologies which provide fast, frictionless and personalized buying experiences across sales channels. We believe we are uniquely positioned to help power these buying experiences with our AI-powered solutions that enable buyers to move fluidly and with personalized experiences across our customers' direct sales, online, mobile and partner channels. In the airline industry, there is evidence the COVID-19 pandemic is accelerating a long-term trend away from global distribution services and towards direct booking channels, in part due to a significant reduction in business travel. We anticipate airlines continuing to invest in technology, including mobile device-enabled solutions, to enhance their ability to capture a greater percentage of bookings through their own channels such as their websites.

- *Hybrid Workplace.* The global workplace environment has substantially changed in the wake of COVID-19. As we focus on the future of work, we adopted a hybrid work environment for our global workforce, with many employees working remotely. As part of this hybrid model, we emphasize flexibility based on a blend of what makes sense for each employee, their team and our business. We also offer company-wide initiatives to assist our employees in managing through the changes associated with hybrid work.
- *Continued Investments.* We are continuing to be measured in our investments and focused on cost control efforts across our organization, while continuing to create awareness for our solutions, expand our customer base and grow our subscription revenues. While we incurred losses in 2021, we believe our market is large and underpenetrated and intend to continue investing to expand our ability to sell and renew our subscription offerings globally. We also plan to continue investing in product development to enhance our existing technologies, including initiatives to accelerate customer time-to-value and provide out-of-the-box integration with third-party commerce solutions, and develop new applications and technologies.
- *Cloud Migrations.* We expect sales of our cloud-based solutions will continue to reduce our future maintenance and support revenue as long-term customers continue to migrate from our legacy licensed solutions to our current cloud solutions.

Description of Key Components of our Operating Results

Revenue

We derive our revenues primarily from recurring revenue, which includes subscription and maintenance and support services. Recurring revenues accounted for 85% of our total revenue in 2021.

Subscription. Subscription services revenue primarily consists of fees that give customers access to one or more of our cloud applications with related customer support. We primarily recognize subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis.

Maintenance and support. Maintenance and support revenue includes customer support for our on-premises software and the right to unspecified software updates and enhancements. We recognize revenue from maintenance arrangements ratably over the period in which the services are provided. Our maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services. Services revenue primarily consists of fees for configuration services, consulting and training. We typically sell our services on either a fixed-fee or time-and-materials basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. The majority of our services contracts are on a fixed-fee basis. Training revenues are recognized as the services are performed.

Services revenue varies from period to period depending on different factors, including the level of services required to implement our solutions, the timing of services revenue recognition on certain subscription contracts and any additional services requested by our customers during a particular period.

Significant judgments are required in determining whether services contained in our customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are not determined to be distinct, the services and the subscription are determined to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date that subscription services are made available to the customer.

Cost of Revenue

Cost of subscription. Cost of subscription consists of infrastructure costs to support our current subscription customer base including third-party hosting services and expenses related to operating our network infrastructure, including depreciation expense and operating lease payments, salaries and related expenses, amortization of capitalized software and an allocation of depreciation, amortization of certain intangible assets and allocated overhead.

Cost of maintenance and support. Cost of maintenance and support consists largely of employee-related costs and an allocation of depreciation, amortization of intangibles, and allocated overhead.

Cost of services. Cost of services includes those costs related to services and implementation of our solutions, primarily employee-related costs and third-party contractors, billable and non-billable travel and an allocation of depreciation and allocated overhead. Cost of providing services may vary from quarter to quarter depending on a number of factors, including the amount of services required to implement and configure our solutions.

Services gross profit varies period to period depending on different factors, including the level of services required to implement our solutions, our mix of employees and third-party contractors, our effective billable man-day rates, our use of third-party system integrators and the billable utilization of our services personnel.

Operating Expenses

Selling and marketing. Selling and marketing expenses primarily consist of employee-related costs, third-party contractors, sales commissions, sales and marketing programs such as lead generation programs, company awareness programs, our annual Outperform conference, participation in industry trade shows, and other sales and marketing programs, travel, amortization expenses associated with acquired intangible assets and allocated overhead. Sales commissions are deferred and amortized on a straight-line basis over the period of benefit, which we have determined to be five to eight years.

Research and development. Research and development expenses primarily consist of employee-related costs and third-party contractors who work on enhancements of existing solutions, the development of new solutions, scientific research, quality assurance and testing, and an allocation of depreciation, facilities and allocated overhead.

General and administrative. General and administrative expenses primarily consist of employee-related costs for executive, accounting, finance, legal, human resources and internal IT support functions and an allocation of depreciation and allocated overhead. General and administrative expenses also include outside legal and accounting fees and provision for bad debts.

Acquisition-related expenses. Acquisition-related expenses consist primarily of advisory, legal, accounting and other professional fees, insurance and integration costs for our acquisitions.

Results of Operations

Comparison of year ended December 31, 2021 with year ended December 31, 2020

Revenue:

(Dollars in thousands)	For the Year Ended December 31,					
	2021		2020		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Subscription	\$ 178,006	71 %	\$ 170,473	67 %	\$ 7,533	4 %
Maintenance and support	35,111	14 %	44,692	18 %	(9,581)	(21)%
Total subscription, maintenance and support	213,117	85 %	215,165	85 %	(2,048)	(1)%
Services	38,306	15 %	37,259	15 %	1,047	3 %
Total revenue	\$ 251,423	100 %	\$ 252,424	100 %	\$ (1,001)	— %

Subscription revenue. Subscription revenue increased primarily due to an increase in new and existing customer subscription contracts and a small contribution from EveryMundo post-acquisition.

Maintenance and support revenue. Maintenance and support revenue decreased primarily as a result of existing maintenance customers migrating to our cloud solutions and to a lesser extent customer maintenance churn. We expect maintenance revenue to continue to decline as we continue to migrate maintenance customers to our cloud solutions.

Services revenue. Services revenue increased primarily as a result of higher sales of professional services related to our subscription contracts and also due to follow-on services to existing customers.

Cost of revenue and gross profit.

(Dollars in thousands)	For the Year Ended December 31,					
	2021		2020		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Cost of subscription	\$ 53,418	21 %	\$ 51,673	20 %	\$ 1,745	3 %
Cost of maintenance and support	8,512	3 %	9,880	4 %	(1,368)	(14)%
Total cost of subscription, maintenance and support	61,930	25 %	61,553	24 %	377	1 %
Cost of services	42,995	17 %	43,080	17 %	(85)	— %
Total cost of revenue	\$ 104,925	42 %	\$ 104,633	41 %	\$ 292	— %
Gross profit	\$ 146,498	58 %	\$ 147,791	59 %	\$ (1,293)	(1)%

Cost of subscription. Cost of subscription increased primarily due to increased infrastructure costs to support our current subscription customer base and increased employee-related costs. Our subscription gross profit percentage was 70% for the years ended December 31, 2021 and 2020.

Cost of maintenance and support. Cost of maintenance and support decreased primarily due to a decrease in personnel costs as a result of the need to support a declining maintenance customer base as we migrate customers to our subscription solutions and a decrease in amortization expense related to intangible assets which were fully amortized in 2021. Maintenance and support gross profit percentages for the years ended December 31, 2021 and 2020, were 76% and 78%, respectively.

Cost of services. Cost of services decreased primarily due to the lower utilization of third-party contractors and reduced travel expenses due to the COVID-19 pandemic, partially offset by higher personnel cost to support the increase in our services revenue during the period. Services gross profit percentages for the years ended December 31, 2021 and 2020, were (12)% and (16)%, respectively. The increase in services gross profit percentages was primarily due to the increase in services revenues.

Operating expenses:

(Dollars in thousands)	For the Year Ended December 31,					
	2021		2020		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Selling and marketing	\$ 86,445	34 %	\$ 87,182	35 %	\$ (737)	(1)%
Research and development	82,268	33 %	77,165	31 %	5,103	7 %
General and administrative	49,742	20 %	49,524	20 %	218	— %
Acquisition-related	2,386	1 %	—	— %	2,386	— %
Total operating expenses	\$ 220,841	88 %	\$ 213,871	85 %	\$ 6,970	3 %

Selling and marketing expenses. Selling and marketing expenses decreased primarily due to a decrease of \$2.8 million in sales and marketing events and a decrease of \$1.3 million in travel expenses due to the COVID-19 pandemic partially offset by an increase of \$2.0 million in employee-related costs and a \$1.4 million increase in other overhead and allocated expenses.

Research and development expenses. Research and development expenses increased primarily due to a \$5.9 million increase in employee-related costs, including an increase of \$2.2 million in noncash share-based compensation and an increase of \$1.7 million related to less capitalized internal-use software development costs in 2021 than in 2020, partially offset by a decrease of \$0.8 million in amortization expense related to intangible assets which were fully amortized in 2021.

General and administrative expenses. General and administrative expenses increased primarily due to an increase of \$6.1 million in employee-related costs, including an increase of \$3.0 million in noncash share-based compensation, and a \$0.8 million increase in other overhead expenses. The increase was partially offset by a net decrease of \$6.7 million in bad debt expense year over year, including a bad debt recovery of \$1.9 million during the year ended December 31, 2021, due to improved credit conditions with certain customers.

Acquisition-related expenses. Acquisition-related expenses were \$2.4 million for the year ended December 31, 2021, and consisted primarily of advisory, legal, accounting and other professional fees, insurance and integration costs for our acquisition of EveryMundo.

Other income (expense), net:

(Dollars in thousands)	For the Year Ended December 31,					
	2021		2020		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Convertible debt interest and amortization	\$ (6,304)	(3)%	\$ (11,125)	(4)%	\$ 4,821	(43)%
Other income (expense), net	\$ 308	— %	\$ 897	— %	\$ (589)	(66)%

Convertible debt interest and amortization. Convertible debt interest and amortization expense for the years ended December 31, 2021 and 2020 related to coupon interest and amortization of debt discount and issuance costs attributable to our Notes. Convertible debt interest and amortization decreased primarily as a result of the adoption of ASU 2020-06 on January 1, 2021. Upon adoption, there was no longer a debt discount on our outstanding notes and as a result there was no related amortization cost in 2021.

Other income (expense), net. The change in other income (expense), net for the year ended December 31, 2021, primarily related to a decrease in interest income partially offset by foreign currency impact during the period.

Income tax provision:

(Dollars in thousands)	For the Year Ended December 31,			
	2021	2020	Variance \$	Variance %
Effective tax rate	(1.1)%	(0.9)%	n/a	— %
Income tax provision	\$ 870	\$ 676	\$ 194	29 %

Our tax provision for the year ended December 31, 2021 included both foreign income and withholding taxes. No tax benefit was recognized on jurisdictions with a projected loss for the year due to the valuation allowances on our deferred tax assets.

Our 2021 and 2020 effective tax rates had an unusual relationship to pretax loss from operations due to a valuation allowance on our net deferred tax assets. Our income tax provisions in 2021 and 2020 only included foreign income and withholding taxes, resulting in an effective tax rate of (1.1)% and (0.9)%, respectively. The difference between the effective tax rates and the federal statutory rate of 21% for the years ended December 31, 2021 and 2020 was primarily due to the increase in our valuation allowance of \$16.6 million and \$24.3 million, respectively.

As of December 31, 2021 and 2020, we had a valuation allowance on our net deferred tax assets of \$146.8 million and \$130.7 million, respectively. The increase in the valuation allowance was principally attributable to an additional valuation allowance recorded on our current year's tax loss.

Comparison of year ended December 31, 2020 with year ended December 31, 2019

For a comparison of our results of operations for the years ended December 31, 2020 and 2019, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 12, 2021.

Liquidity and Capital Resources

At December 31, 2021, we had \$227.6 million of cash and cash equivalents and \$128.7 million of working capital as compared to \$329.1 million of cash and cash equivalents and \$246.4 million of working capital at December 31, 2020.

Our principal sources of liquidity are our cash and cash equivalents. In addition, we could have access to the overall capital markets to supplement our liquidity position. Our material drivers or variants of operating cash flow are net income (loss), noncash expenses (principally share-based compensation, intangible amortization and amortization of debt discount and

issuance costs) and the timing of periodic invoicing and cash collections from customer revenue. Our operating cash flows are also impacted by the timing of payments to our vendors and the payments of our other liabilities.

We believe our existing cash and cash equivalents will provide adequate liquidity and capital resources to meet our operational requirements, anticipated capital expenditures and coupon interest payments for our Notes for the next twelve months. Our future working capital requirements will depend on many factors, including the operations of our existing business, potential growth of our subscription services, future acquisitions we might undertake, expansion into complementary businesses, and the impact of COVID-19, including the pace and timing of adoption and implementation of our solutions and customer churn. During the period of uncertainty and volatility related to COVID-19, we will continue to monitor our liquidity.

The following table presents key components of our Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019:

(Dollars in thousands)	For the Year Ended December 31,		
	2021	2020	2019
Net cash (used in) provided by operating activities	\$ (18,555)	\$ (49,389)	\$ 5,245
Net cash used in investing activities	(85,173)	(30,460)	(17,560)
Net cash provided by financing activities	2,471	102,914	22,991
Cash and cash equivalents (beginning of period)	329,134	306,077	295,476
Cash and cash equivalents (end of period)	\$ 227,553	\$ 329,134	\$ 306,077

Operating Activities

Net cash used in operating activities in 2021 was \$18.6 million and decreased as compared to \$49.4 million in 2020. The \$30.8 million improvement over last year was attributable to lower overall operating expenses, improved customer retention rates as well as the timing of customer collections from several customers deferring payments in 2020 as a result of COVID-19. In addition, we had a lower annual incentive payment in 2021 as compared to prior year.

Investing Activities

Net cash used in investing activities for 2021 was \$85.2 million and increased as compared to \$30.5 million in 2020. The increase was primarily due to the acquisition of EveryMundo in November 2021, partially offset by a decrease in capital expenditures. The higher capital expenditures in 2020 were mainly attributable to the build out of our new headquarters which was committed prior to the pandemic.

Financing Activities

Net cash provided by financing activities for 2021 was \$2.5 million and decreased as compared to \$102.9 million in 2020. The decrease was primarily due to the issuance of our 2027 Notes in 2020, partially offset by a decrease in payments for tax withholdings on vesting of employee share-based awards in 2021 as a result of a sell-to-cover taxes program established in late 2020 and first implemented in 2021 for employee vested share-based awards.

Stock Repurchases

In August 2008, our Board of Directors authorized a stock repurchase program for the purchase of up to \$15.0 million of our common stock. No shares were repurchased under the program during the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, \$10.0 million remained available in the stock repurchase program. The repurchase of stock, if continued, will be funded primarily with existing cash balances. The timing of any repurchases will depend upon various factors including, but not limited to, market conditions, the market price of our common stock and management's assessment of our liquidity and cash flow needs. *For additional information on the stock repurchase program see [Item 5](#), "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."*

Off-Balance Sheet Arrangements and Contractual Obligations

We do not have any relationships with unconsolidated entities or financial partnerships, such as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Our principal commitments as of December 31, 2021 consist of obligations under our Notes,

various service agreements and operating leases. See [Note 18](#) of our Notes to Consolidated Financial Statements for additional information regarding our contractual commitments.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2021:

(Dollars in thousands)	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes, including interest	\$ 317,538	\$ 4,813	\$ 152,600	\$ 6,750	\$ 153,375
Operating leases	64,742	11,483	17,151	8,382	27,726
Purchase and contractual commitments	180,361	25,537	65,286	89,538	—
Total contractual obligations	<u>\$ 562,641</u>	<u>\$ 41,833</u>	<u>\$ 235,037</u>	<u>\$ 104,670</u>	<u>\$ 181,101</u>

Notes

As of December 31, 2021, our outstanding Notes consist of the 2024 and 2027 Notes. Interest on the 2024 Notes is payable semi-annually, in arrears on May 15 and November 15 of each year. Interest on the 2027 Notes is payable semiannually in arrears in cash on March 15 and September 15 of each year, beginning on March 15, 2021. At December 31, 2021, our maximum commitment for interest payments under the 2024 and 2027 Notes was \$23.8 million for their remaining duration.

Covenants

We have a \$50 million secured Credit Agreement ("Revolver") with the lenders party thereto and Wells Fargo Bank, National Association as agent for the lenders party thereto. Our Revolver expires in March 2022 and contains affirmative and negative covenants, including covenants which restrict our ability to, among other things, create liens, incur additional indebtedness and engage in certain other transactions, in each case subject to certain exclusions. In addition, our Revolver contains certain financial covenants which become effective in the event our liquidity falls below \$50 million or upon the occurrence of an event of default. As of December 31, 2021, we were in compliance with all financial covenants in the Revolver.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Actual results could differ from those estimates.

We believe the critical accounting policies listed below affect significant judgment and estimates used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

We derive our revenues primarily from subscription services, services and associated software maintenance and support services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the customer contract(s);
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the customer contract(s); and
- recognition of revenue when, or as, we satisfy a performance obligation.

Subscription revenue

Subscription revenue primarily consists of fees that give customers access to one or more of our cloud applications with related customer support. We primarily recognize subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis.

Maintenance and support revenue

Maintenance and support revenue includes customer support for our on-premises software and the right to unspecified software updates and enhancements. We recognize revenue from maintenance arrangements ratably over the period in which the services are provided. Our maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services revenue

Services revenue primarily consists of fees for configuration services, consulting and training. We typically sell our services on either a fixed-fee or time-and-materials basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. The majority of our services contracts are on a fixed-fee basis. Training revenues are recognized as the services are performed.

Significant judgments are required in determining whether services contained in our customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are not determined to be distinct, the services and the subscription are determined to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date subscription services are made available to the customer.

Customer contracts with multiple performance obligations

A portion of our customer contracts contain multiple performance obligations. Significant judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue is recognized when, or as, we satisfy the performance obligation. If obligations are not determined to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

Deferred Costs

Sales commissions earned by our sales representatives are considered incremental and recoverable costs of obtaining a customer contract. Sales commissions are deferred and amortized on a straight-line basis over the period of benefit, which we have determined to be five to eight years. We determined the period of benefit by taking into consideration our customer contracts, expected renewals of those customer contracts (as we currently do not pay an incremental sales commission for renewals), our technology and other factors. We also defer amounts earned by employees other than sales representatives who earn incentive payments under compensation plans tied to the value of customer contracts acquired.

Noncash Share-Based Compensation

Noncash share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

The fair value of the RSUs (time and performance-based) and the equity consideration stock awards, granted as part of the EveryMundo acquisition, is based on the closing price of our stock on the date of grant.

We estimate the fair value of the stock options and SARs using the Black-Scholes option pricing model, which requires us to use significant judgment to make estimates regarding the expected life of the award, volatility of our stock price, the risk-free interest rate and the dividend yield of our stock over the life of the award. The expected life of the award is a historical weighted average of the expected lives of similar securities of comparable public companies. We estimate volatility

using our historical volatility. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our expectation of paying no dividends.

As we issue stock options and SARs, we evaluate the assumptions used to value our stock option awards and SARs. If factors change and we employ different assumptions, noncash share-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned noncash share-based compensation expense. Future noncash share-based compensation expense and unearned noncash share-based compensation will increase to the extent we grant additional equity awards to employees.

We estimate the number of awards that will be forfeited and recognize expense only for those awards that ultimately are expected to vest. Significant judgment is required in determining the adjustment to noncash share-based compensation expense for estimated forfeitures. Noncash share-based compensation expense in a period could be impacted, favorably or unfavorably, by differences between forfeiture estimates and actual forfeitures.

MSUs are performance-based awards that cliff vest based on our shareholder return relative to the total shareholder return of the Russell 2000 Index ("Index") over a three-year period. The maximum number of shares issuable upon vesting is 200% of the MSUs initially granted based on the average price of our common stock relative to the Index during the Performance Period. We estimate the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by our stock price and a number of assumptions including the expected volatilities of our stock and the Index, the risk-free interest rate and expected dividends. Our expected volatility at the date of grant was based on the historical volatilities of our stock and the Index over the Performance Period.

We record deferred tax assets for share-based compensation awards that will result in future deductions on our income tax returns, based on the amount of share-based compensation recognized at the statutory tax rate in the jurisdiction in which we will receive a tax deduction. Because the deferred tax assets we record are based upon the share-based compensation expenses in a particular jurisdiction, the aforementioned inputs that affect the fair values of our stock awards may also indirectly affect our income tax expense. In addition, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on our income tax returns are recorded in our income tax (expense) income.

At December 31, 2021, we had \$84.6 million of total unrecognized compensation costs related to noncash share-based compensation arrangements for stock awards granted. These costs will be recognized over a weighted-average period of 2.6 years.

Accounting for Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business and we use estimates in determining our provision for income taxes. We estimate separately our deferred tax assets, related valuation allowances, current tax liabilities and deferred tax liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the U.S. Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. At December 31, 2021, our deferred tax assets consisted primarily of temporary differences related to noncash share-based compensation, interest expense limited under Section 163(j), expense recognition of our lease obligations, Research and Experimentation ("R&E") tax credit carryforwards and net operating losses.

We review the realizability of our deferred tax asset on a quarterly basis, or whenever events or changes in circumstances indicate a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to our valuation allowances may be necessary. We continually perform an analysis related to the realizability of our deferred tax assets. As a result, and after considering tax planning initiatives and other positive and negative evidence, we determine it is more likely than not our net deferred tax assets will not be realized. During 2021, there was not sufficient positive evidence to outweigh the current and historic negative evidence to determine it was more likely than not that our net deferred tax assets would not be realized. Therefore, we continue to have a valuation allowance against net deferred tax assets as of December 31, 2021.

We account for uncertain income tax positions recognized in our financial statements in accordance with the Income Tax Topic of the Accounting Standards Codification ("ASC"), issued by the FASB. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in their tax returns. This guidance provides clarification on recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. *Please see [Note 15](#) to the Consolidated Financial Statements for more information.*

Business Combinations, Intangible Assets and Goodwill

We record tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets. The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses and customer attrition rate. We estimate fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statement of Comprehensive Income (Loss).

Amortization is recorded over the estimated useful lives ranging from two to eight years. We review our intangible assets subject to amortization to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset group exceeds its undiscounted cash flows, we will write down the carrying value of the intangible asset group to its fair value in the period identified. In assessing recoverability, we must make assumptions regarding estimated future cash flows and discount rates. If these estimates or related assumptions change in the future, we may be required to record impairment charges. If the estimate of an intangible asset's remaining useful life is changed, we will amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

We assess goodwill for impairment as of November 30 of each fiscal year, or more frequently if events or changes in circumstances indicate the fair value of our reporting unit has been reduced below its carrying value. When conducting our annual goodwill impairment assessment, we use a two-step process. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not the fair value of our reporting unit is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, we are required to make assumptions and judgments including, but not limited to, an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting unit and future opportunities in the markets in which it operates. If we determine it is not more likely than not that the fair value of our reporting unit is less than its carrying value, we are not required to perform any additional tests in assessing goodwill for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, we perform a second step for our reporting unit, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires us to compare the fair value of our reporting unit with its carrying value. If the carrying amount exceeds the fair value, an impairment charge will be recognized, however, loss cannot exceed the total amount of goodwill allocated to the reporting unit.

Recent Accounting Pronouncements

See [Note 2](#) - Summary of Significant Accounting Policies to the Consolidated Financial Statements included in this report, regarding the impact of certain recent accounting pronouncements on our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Our contracts are predominately denominated in U.S. dollars; however, we have contracts denominated in foreign currencies and therefore a portion of our revenue is subject to foreign currency risks. The primary market risk we face is from foreign currency exchange rate fluctuations. Our cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The effect of an immediate 10% adverse change in exchange rates on foreign denominated receivables as of

December 31, 2021, would have resulted in a \$1.1 million loss. We are also exposed to foreign currency risk due to our operating subsidiaries in France, United Kingdom, Canada, Germany, Ireland, Australia, Bulgaria, Singapore and United Arab Emirates. A hypothetical 10% adverse change in the value of the U.S. dollar in relation to the Euro, which is our single most significant foreign currency exposure, would have changed revenue for the year ended December 31, 2021 by approximately \$1.9 million. However, due to the relatively low volume of payments made and received through our foreign subsidiaries, we do not believe we have significant exposure to foreign currency exchange risks. Fluctuations in foreign currency exchange rates could harm our financial results in the future.

We currently do not use derivative financial instruments to mitigate foreign currency exchange risks. We continue to review this issue and may consider hedging certain foreign exchange risks through the use of currency futures or options in future years.

Exposure to Interest Rates

Our exposure to market risk for changes in interest rates relates to the variable interest rate on borrowings under our Revolver. As of December 31, 2021, we had no borrowings under the Revolver.

As of December 31, 2021, we had outstanding principal amounts of \$150.0 million and \$143.8 million of the 2027 and the 2024 Notes, respectively, which are fixed rate instruments. Therefore, our results of operations are not subject to fluctuations in interest rates. The fair value of the Notes may change when the market price of our stock fluctuates.

We believe we do not have any material exposure to changes in the fair value as a result of changes in interest rates due to the short term nature of our cash equivalents.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required to be filed are indexed on page F-1 and are incorporated herein by reference. See *Item 15(a)(1) and (2)*.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation as of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

In November 2021, we acquired EveryMundo. For purposes of determining the effectiveness of our internal controls over financial reporting, management has excluded EveryMundo from its evaluation of these matters. EveryMundo represented approximately 0.6% of our consolidated total assets as of December 31, 2021 and approximately 0.4% of our consolidated revenues for the year ended December 31, 2021.

During the first quarter of 2021, the Company completed the implementation of a new enterprise resource planning ("ERP") system and the internal controls have been updated to reflect the change.

Other than the changes described above, there have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal

control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that our employees are working remotely due to COVID-19. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting is a framework that includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2021, based on the criteria in Internal Control — Integrated Framework (2013) issued by COSO. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021 based upon the COSO criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Item 9B. Other Information

None.

Part III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2022 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2021.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2022 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2021.

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

The information required by this item is incorporated by reference from our proxy statement in connection with our 2022 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2021.

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

The information required by this item is incorporated by reference from our proxy statement in connection with our 2022 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2021.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2022 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2021.

Part IV

Item 15. Exhibits and Financial Statements Schedules

(a)(1) Financial Statements

Reference is made to the Index to Financial Statements in the section entitled "Financial Statements and Supplementary Data" in Part II, Item 8 of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

Reference is made to Schedule II, Valuation and Qualifying Accounts, as indexed on page F-36.

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(a)(3) Exhibits

Exhibits are as set forth below in the Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference rooms maintained by the SEC in Washington, D.C., New York, New York, and Chicago, Illinois, and are also available to the public from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

PROS Holdings, Inc.
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of PROS Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of PROS Holdings, Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), of stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2021 appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition – Identifying distinct performance obligations within customer contracts

As described in Note 2 to the consolidated financial statements, for the year ended December 31, 2021, the Company recognized total revenue of \$251.4 million from customer contracts. A portion of the Company's customer contracts contain multiple performance obligations. Significant judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue for that separate performance obligation is recognized when, or as, the Company satisfies the performance obligation. If obligations are not determined to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

The principal considerations for our determination that performing procedures relating to revenue recognition - identifying distinct performance obligations within customer contracts is a critical audit matter are (i) the significant judgment by management when determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable, and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating whether the distinct performance obligations within a single customer contract were appropriately identified by management.

Addressing the matter involved performing procedures and evaluating evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over management's identification of distinct performance obligations. These procedures also included, among others (i) examining customer contracts on a test basis to identify whether the performance obligations within a single customer contract were capable of being distinct and were separately identifiable and (ii) evaluating management's conclusions through tests of underlying information.

Valuation of the developed technology asset - Acquisition of EveryMundo LLC

As described in Notes 2 and 3 to the consolidated financial statements, on November 30, 2021, the Company acquired EveryMundo LLC ("EveryMundo"), for a cash consideration, net of cash acquired, of approximately \$79.5 million, which included a developed technology intangible asset of \$15.7 million. Management estimates fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses, and customer attrition rate.

The principal considerations for our determination that performing procedures relating to the valuation of the developed technology asset acquired from the EveryMundo acquisition is a critical audit matter are (i) the significant judgment by management when determining the fair value of the developed technology asset, (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to projected revenue, discount rate, obsolescence rate, cost of sales, and operating expenses, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the developed technology asset and controls over the development of significant assumptions related to projected revenue, discount rate, obsolescence rate, cost of sales, and operating expenses. These procedures also included, among others (i) reading the purchase agreement, (ii) testing management's process for determining the fair value of the developed technology asset, (iii) evaluating the appropriateness of the multi-period excess earnings method, (iv) testing the completeness and accuracy of the underlying data used in the multi-period excess earnings method, and (v) evaluating the reasonableness of the significant assumptions used by management related to projected revenue, discount rate, obsolescence rate, cost of sales, and operating expenses. Evaluating management's assumptions related to projected revenue, cost of sales, and operating expenses involved evaluating whether the significant assumptions used by management were reasonable considering (i) the current and past performance of EveryMundo, (ii) the consistency with external market and industry data, and (iii) whether these significant assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the (i) the appropriateness of the multi-period excess earnings method and (ii) the reasonableness of the discount rate and obsolescence rate significant assumptions.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 18, 2022

We have served as the Company's auditor since 2002.

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

	December 31,	
	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$ 227,553	\$ 329,134
Trade and other receivables, net of allowance of \$1,206 and \$4,122, respectively	40,581	49,578
Deferred costs, current	5,772	5,941
Prepaid and other current assets	9,623	9,647
Total current assets	283,529	394,300
Property and equipment, net	30,958	36,504
Operating lease right-of-use assets	25,732	30,689
Deferred costs, noncurrent	9,510	12,544
Intangibles, net	27,618	8,341
Goodwill	108,133	50,044
Other assets, noncurrent	9,003	7,549
Total assets	\$ 494,483	\$ 539,971
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable and other liabilities	\$ 4,034	\$ 4,246
Accrued liabilities	12,631	13,065
Accrued payroll and other employee benefits	31,994	25,514
Operating lease liabilities, current	8,457	5,937
Deferred revenue, current	97,713	99,156
Total current liabilities	154,829	147,918
Deferred revenue, noncurrent	8,553	11,372
Convertible debt, net, noncurrent	288,287	218,028
Operating lease liabilities, noncurrent	38,034	44,099
Other liabilities, noncurrent	1,196	1,517
Total liabilities	490,899	422,934
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized none issued	—	—
Common stock, \$0.001 par value, 75,000,000 shares authorized; 49,201,265 and 48,142,267 shares issued, respectively; 44,520,542 and 43,461,544 shares outstanding, respectively	49	48
Additional paid-in capital	546,693	589,040
Treasury stock, 4,680,723 common shares, at cost	(29,847)	(29,847)
Accumulated deficit	(508,652)	(438,773)
Accumulated other comprehensive loss	(4,659)	(3,431)
Total stockholders' equity	3,584	117,037
Total liabilities and stockholders' equity	\$ 494,483	\$ 539,971

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

PROS Holdings, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands, except per share data)

	For the Year Ended December 31,		
	2021	2020	2019
Revenue:			
Subscription	\$ 178,006	\$ 170,473	\$ 145,327
Maintenance and support	35,111	44,692	58,184
Total subscription, maintenance and support	213,117	215,165	203,511
Services	38,306	37,259	46,823
Total revenue	251,423	252,424	250,334
Cost of revenue:			
Subscription	53,418	51,673	42,339
Maintenance and support	8,512	9,880	11,052
Total cost of subscription, maintenance and support	61,930	61,553	53,391
Services	42,995	43,080	45,726
Total cost of revenue	104,925	104,633	99,117
Gross profit	146,498	147,791	151,217
Operating expenses:			
Selling and marketing	86,445	87,182	89,553
Research and development	82,268	77,165	68,270
General and administrative	49,742	49,524	46,230
Acquisition-related	2,386	—	502
Loss from operations	(74,343)	(66,080)	(53,338)
Convertible debt interest and amortization	(6,304)	(11,125)	(14,765)
Other income (expense), net	308	897	(354)
Loss before income tax provision	(80,339)	(76,308)	(68,457)
Income tax provision	870	676	624
Net loss	(81,209)	(76,984)	(69,081)
Net loss per share:			
Basic and diluted	(1.83)	(1.78)	(1.72)
Weighted average number of shares:			
Basic and diluted	44,348	43,301	40,232
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(1,228)	480	(537)
Other comprehensive (loss) income, net of tax	(1,228)	480	(537)
Comprehensive (loss) income	<u>\$ (82,437)</u>	<u>\$ (76,504)</u>	<u>\$ (69,618)</u>

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

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

	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating activities:			
Net loss	\$ (81,209)	\$ (76,984)	\$ (69,081)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	12,060	14,334	13,870
Amortization of debt discount and issuance costs	1,491	8,743	11,115
Share-based compensation	35,075	24,399	24,680
Deferred income tax, net	—	—	(119)
Provision for doubtful accounts	(1,910)	4,783	(754)
Loss on debt extinguishment	—	—	5,660
Changes in operating assets and liabilities:			
Accounts and unbilled receivables	12,560	10,450	(22,273)
Deferred costs	3,202	2,749	(3,772)
Prepaid expenses and other assets	1,828	(1,376)	(5,044)
Operating lease right-of-use assets and liabilities	1,534	16,974	(61)
Accounts payable and other liabilities	(515)	(4,817)	2,550
Accrued liabilities	(426)	(9,848)	15,455
Accrued payroll and other employee benefits	4,693	(7,106)	7,937
Deferred revenue	(6,938)	(31,690)	25,082
Net cash (used in) provided by operating activities	<u>(18,555)</u>	<u>(49,389)</u>	<u>5,245</u>
Investing activities:			
Purchase of property and equipment	(2,796)	(28,493)	(5,271)
Purchase of equity securities	(2,895)	(281)	(293)
Acquisition of Travelaer, net of cash acquired	—	—	(10,510)
Acquisition of EveryMundo, net of cash acquired	(79,482)	—	—
Capitalized internal-use software development costs	—	(1,686)	(1,436)
Purchase of intangible asset	—	—	(50)
Net cash used in investing activities	<u>(85,173)</u>	<u>(30,460)</u>	<u>(17,560)</u>
Financing activities:			
Proceeds from employee stock plans	3,111	2,824	1,995
Tax withholding related to net share settlement of stock awards	(352)	(20,481)	(23,753)
Payments of notes payable	(288)	—	—
Proceeds from issuance of convertible debt, net	—	146,925	140,156
Debt issuance costs related to convertible debt	—	(1,019)	(860)
Purchase of Capped Call	—	(25,335)	(16,445)
Settlement of convertible debt	—	—	(97,678)
Proceeds from termination of Note Hedges	—	—	64,819
Payment for termination of Warrants	—	—	(45,243)
Net cash provided by financing activities	<u>2,471</u>	<u>102,914</u>	<u>22,991</u>
Effect of foreign currency rates on cash	(324)	(8)	(75)
Net change in cash and cash equivalents	<u>(101,581)</u>	<u>23,057</u>	<u>10,601</u>
Cash and cash equivalents:			
Beginning of period	<u>329,134</u>	<u>306,077</u>	<u>295,476</u>

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End of period	<u>\$ 227,553</u>	<u>\$ 329,134</u>	<u>\$ 306,077</u>
Supplemental disclosure of cash flow information:			
Cash (paid) refund during period for:			
Taxes	\$ (403)	\$ (341)	\$ (308)
Interest	\$ (4,988)	\$ (1,680)	\$ (3,499)
Noncash investing activities:			
Purchase of property and equipment accrued but not paid	\$ 81	\$ 341	\$ 891

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

PROS Holdings, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except share data)

	Common Stock			Treasury Stock		Accumulated (Deficit) Retained Earnings	Accumulated other comprehensive loss	Total Stockholders' Equity
	Shares	Amount	Additional Paid-In Capital	Shares	Amount			
Balance at December 31, 2018	37,155,906	\$ 42	\$ 364,877	4,417,585	\$ (13,938)	\$ (292,708)	\$ (3,374)	\$ 54,899
Stock awards net settlement	958,264	1	(23,754)	—	—	—	—	(23,753)
Proceeds from employee stock plans	75,304	—	1,995	—	—	—	—	1,995
Settlement of convertible debt	4,703,787	4	140,845	—	—	—	—	140,849
Exercise of Note Hedges	(263,138)	—	15,911	263,138	(15,909)	—	—	2
Termination of Note Hedges	—	—	64,819	—	—	—	—	64,819
Termination of Warrants	—	—	(45,243)	—	—	—	—	(45,243)
Equity component of convertible debt issuance, net	—	—	32,883	—	—	—	—	32,883
Purchase of Capped Call	—	—	(16,445)	—	—	—	—	(16,445)
Noncash share-based compensation	—	—	24,608	—	—	—	—	24,608
Other comprehensive loss	—	—	—	—	—	—	(537)	(537)
Net loss	—	—	—	—	—	(69,081)	—	(69,081)
Balance at December 31, 2019	42,630,123	\$ 47	\$ 560,496	4,680,723	\$ (29,847)	\$ (361,789)	\$ (3,911)	\$ 164,996
Stock awards net settlement	765,801	1	(20,482)	—	—	—	—	(20,481)
Proceeds from employee stock plans	65,457	—	2,824	—	—	—	—	2,824
Equity component of convertible debt issuance, net	—	—	47,215	—	—	—	—	47,215
Purchase of Capped Call	—	—	(25,335)	—	—	—	—	(25,335)
Warrant exercise	163	—	—	—	—	—	—	—
Noncash share-based compensation	—	—	24,322	—	—	—	—	24,322
Other comprehensive loss	—	—	—	—	—	—	480	480
Net loss	—	—	—	—	—	(76,984)	—	(76,984)
Balance at December 31, 2020	43,461,544	\$ 48	\$ 589,040	4,680,723	\$ (29,847)	\$ (438,773)	\$ (3,431)	\$ 117,037
Stock awards net settlement	977,915	1	(353)	—	—	—	—	(352)
Proceeds from employee stock plans	81,083	—	3,111	—	—	—	—	3,111
Cumulative effect of adoption of ASU 2020-06	—	—	(80,098)	—	—	11,330	—	(68,768)
Noncash share-based compensation	—	—	34,993	—	—	—	—	34,993
Other comprehensive loss	—	—	—	—	—	—	(1,228)	(1,228)
Net loss	—	—	—	—	—	(81,209)	—	(81,209)
Balance at December 31, 2021	44,520,542	\$ 49	\$ 546,693	4,680,723	\$ (29,847)	\$ (508,652)	\$ (4,659)	\$ 3,584

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

PROS Holdings, Inc.
Notes to Consolidated Financial Statements

1. Organization and Nature of Operations

PROS Holdings, Inc., a Delaware corporation, through its operating subsidiaries (collectively, the "Company"), provides solutions that optimize shopping and selling experiences. PROS solutions leverage artificial intelligence ("AI"), self-learning and automation to ensure that every transactional experience is fast, frictionless and personalized for every shopper, supporting both business-to-business ("B2B") and business-to-consumer ("B2C") companies across industry verticals. Companies can use these selling, pricing, revenue optimization, distribution and retail, and digital offer marketing solutions to assess their market environments in real time to deliver customized prices and offers. The Company's solutions enable buyers to move fluidly across its customers' direct sales, partner, online, mobile and emerging channels with personalized experiences regardless of which channel buyers choose. The Company's decades of data science and AI expertise are infused into its solutions and are designed to reduce time and complexity through actionable intelligence.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

These Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Certain prior year amounts have been reclassified for consistency with the current year presentation. Such reclassifications impacted the classification of general and administrative expenses and research and development expenses. These insignificant reclassifications had no effect on the reported results of operations, cash flows, or financial position.

Risks and uncertainties

Coronavirus ("COVID-19") continues to spread throughout the U.S. and the world and compliance with the various containment measures implemented by governmental authorities has impacted the Company's business, as well as the businesses of its customers, suppliers and other counterparties, and this impact could last for an indefinite period of time. There are no comparable recent events that provide guidance as to the effect of the spread of COVID-19 as a global pandemic, and as a result, the Company is unable to predict the full impact COVID-19 will have on its results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures.

Changes in Accounting Policies

The Company has consistently applied the accounting policies described in this Note 2 to all periods presented in these Consolidated Financial Statements, except for the Company's adoption of certain accounting standards described in more detail under "*Recently adopted accounting pronouncements*" in this Note 2 below.

Dollar Amounts

The dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars, except per share amounts, or as noted within the context of each footnote disclosure.

Use of Estimates

The preparation of these Consolidated Financial Statements in conformity with GAAP requires the Company to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses during the reporting period. The complexity and judgment required in the Company's estimation process, as well as issues related to the assumptions, risks and uncertainties inherent in determining the nature and timing of satisfaction of performance obligations and determining the standalone selling price of performance obligations, affect the amounts of revenue, expenses, unbilled receivables and deferred revenue. Estimates are also used for, but not limited to, receivables, allowance for doubtful accounts, the determination of the period of benefit for deferred commissions, operating lease right-of-use assets and operating lease liabilities, useful lives of assets, depreciation and amortization, fair value of assets acquired and liabilities assumed for business combinations, income taxes and deferred tax asset valuation, valuation of stock options, other current liabilities and

accrued liabilities. Numerous internal and external factors can affect estimates. Actual results could differ from those estimates and such differences could be material to the Company's consolidated financial position and results of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase, or the ability to be settled in cash within a period of three months, to be cash equivalents, except for commercial paper which is classified as short-term investments, if any. The Company has a cash management program that provides for the investment of excess cash balances, primarily in short-term money market instruments.

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables, net of allowance for doubtful accounts, contract assets and unbilled receivables. The Company records trade accounts receivable for its unconditional rights to consideration arising from the Company's performance under contracts with customers. The Company's standard billing terms are payment is due upon receipt of invoice, payable generally within thirty to sixty days. The carrying value of such receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. When developing its estimate of expected credit losses on trade and other receivables, the Company considers the available information relevant to assessing the collectability of cash flows, which includes a combination of both internal and external information relating to past events, current conditions, and future forecasts as well as relevant qualitative and quantitative factors that relate to the environment in which the Company operates.

Contract assets represent conditional rights to consideration that have been recognized as revenue in advance of billing the customer. Unbilled receivables represent unconditional rights to consideration arising from contingent revenue that have been recognized as revenue in advance of billing the customer.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of prepaid third-party software subscription and license fees, deferred project costs and prepaid taxes.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Maintenance, repairs and minor replacements are charged to expense as incurred. Significant renewals and betterments are capitalized. Depreciation on property and equipment, with the exception of leasehold improvements, is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation on leasehold improvements is recorded using the shorter of the lease term or useful life. When property is retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the Consolidated Statements of Comprehensive Income (Loss) in the period of disposal.

Internal-Use Software

Costs incurred to develop internal-use software during the application development stage are capitalized, stated at cost, and depreciated using the straight-line method over the estimated useful lives of the assets. Application development stage costs generally include salaries and personnel costs and third-party contractor expenses associated with internal-use software development, configuration and coding. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Capitalized internal-use software is included in property and equipment, net in the Consolidated Balance Sheets.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities and noncurrent operating lease liabilities in the Company's Consolidated Balance Sheet.

ROU assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the

lease commencement date based on the estimated present value of lease payments over the lease term. The Company includes any anticipated lease incentives in the determination of lease liability.

The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when determining its incremental borrowing rates.

The Company's lease terms will include options to extend the lease when it is reasonably certain the Company will exercise that option. Leases with a term of 12 months or less are not recorded on the Company's unaudited condensed consolidated balance sheet. The Company's lease agreements do not contain any residual value guarantees.

Deferred Costs

Sales commissions earned by the Company's sales representatives are considered incremental and recoverable costs of obtaining a customer contract. Sales commissions are deferred and amortized on a straight-line basis over the period of benefit, which the Company has determined to be five to eight years. The Company determined the period of benefit by taking into consideration its customer contracts, expected renewals of those customer contracts (as the Company currently does not pay an incremental sales commission for renewals), the Company's technology and other factors. The Company also defers amounts earned by employees other than sales representatives who earn incentive payments under compensation plans that are also tied to the value of customer contracts acquired. Amortization of deferred costs is included in selling and marketing expense in the Consolidated Statements of Comprehensive Income (Loss).

Deferred Implementation Costs

The Company capitalizes certain contract fulfillment costs, including personnel and other costs (such as hosting, employee salaries, benefits and payroll taxes), that are associated with arrangements where services are not distinct from other undelivered obligations in its customer contracts. The Company analyzes implementation costs and capitalizes those costs that are directly related to customer contracts that are expected to be recoverable and enhance the resources which will be used to satisfy the undelivered performance obligations in those contracts. Deferred implementation costs are amortized ratably over the remaining contract term once the revenue recognition criteria for the respective performance obligation has been met and revenue recognition commences. Deferred implementation costs are included in prepaid and other current assets and other assets, noncurrent in the Consolidated Balance Sheets. Amortization of deferred implementation costs is included in cost of subscription and cost of services revenues in the Consolidated Statements of Comprehensive Income (Loss).

Deferred Revenue

Deferred revenue primarily consists of customer invoicing in advance of revenues being recognized. The Company generally invoices its customers annually in advance for subscription services and maintenance and support services. Deferred revenue anticipated to be recognized during the next twelve-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent deferred revenue.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes comparison of future cash flows expected to be generated by the asset or group of assets with the associated assets' carrying value. If the carrying value of the asset or group of assets exceeds its expected future cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying amount of the asset exceeds its fair value. The Company did not identify any impairment indicators and recorded no impairment charges in the year ended December 31, 2021, 2020 and 2019.

Business Combinations, Intangible Assets and Goodwill

The Company records tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets. The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses and customer attrition rate. The Company estimates fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Its estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statement of Comprehensive Income (Loss).

Intangible assets that have finite lives are amortized over their useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. During this review, the Company reevaluates the significant assumptions used in determining the original cost and estimated lives of the intangible assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate or whether there has been an impairment of the intangible assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets group's recovery. If impairment exists, the Company would adjust the carrying value of the assets to fair value, generally determined by a discounted cash flow analysis.

Goodwill represents the excess of the purchase consideration over the net of the acquisition-date fair value of identifiable assets acquired, including identifiable intangible assets, and liabilities assumed in connection with business combinations. Goodwill is not amortized but is assessed for impairment as of November 30 of each fiscal year, or more frequently if events or changes in circumstances indicate the fair value of the Company's sole reporting unit has been reduced below its carrying value. When conducting the annual goodwill impairment assessment, a two-step process is used. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not that the fair value of the Company's sole reporting unit is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, the Company is required to make assumptions and judgments including but not limited to an evaluation of macroeconomic conditions as they relate to the business, industry and market trends, as well as the overall future financial performance of the reporting unit and future opportunities in the markets in which it operates. If it is determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying value, no additional tests are required to be performed in assessing goodwill for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, the Company performs a second step, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires the Company to compare the fair value of its reporting unit with its carrying value. If the carrying amount exceeds the fair value, an impairment charge will be recognized, however, loss cannot exceed the total amount of goodwill allocated to the reporting unit. Based on the results of the qualitative review of goodwill performed as of November 30, 2021, the Company did not identify any indicators of impairment. As such, the quantitative assessment described above was not necessary.

Equity Investments

Investments in equity securities of privately held companies without readily determinable fair value, where the Company does not exercise significant influence over the investee, are recorded at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Adjustments resulting from impairment, fair value, or observable price changes are accounted for in the Consolidated Statements of Comprehensive Income (Loss).

Financial Instruments

The carrying amount of the Company's financial instruments, which include cash equivalents, receivables and accounts payable, and equity investments approximates their fair values at December 31, 2021 and 2020. *For additional information on the Company's fair value measurements, see [Note 10](#) to the Consolidated Financial Statements.*

Convertible Senior Notes

Historically, in accounting for the issuance of the Notes, the Company separated each of the Notes into liability and equity components. The carrying amounts of the liability components were calculated by measuring the fair value of similar liabilities that did not have associated convertible features. The carrying amount of the equity components representing the conversion option were determined by deducting the fair value of the liability components from the par value of the respective Notes. These differences represented debt discounts that were amortized to interest expense over the respective terms of the Notes using the effective interest rate method. The equity components were not remeasured as long as they continued to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, the Company allocated the total amount of issuance costs incurred to the liability and equity components based on their relative values. Issuance costs attributable to the liability components were being amortized on a straight-line basis, which approximates the effective interest rate method, to interest expense over the respective terms of the Notes. The issuance costs attributable to the equity components were netted against the respective equity components in additional paid-in capital.

Effective January 1, 2021, the Company early adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options* ("Subtopic 470-20") and *Derivatives and Hedging - Contracts in an Entity's Own Equity* ("Subtopic 815-40"), for the impact of adoption of the new standard, refer to "Recently Adopted Accounting Pronouncements" below.

Under the new standard, the Company records the principal amount of the Notes as a liability. Issuance costs attributable to the Notes are being amortized on a straight-line basis over the respective terms of the Notes and are presented as a direct deduction from convertible debt, net, noncurrent.

Research and Development

Research and development costs for software sold to customers are generally expensed as incurred. These costs include salaries and personnel costs, including employee benefits, third-party contractor expenses, software development tools, an allocation of facilities and depreciation expenses and other expenses in developing new solutions and upgrading and enhancing existing solutions.

Software Development Costs

Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins upon the establishment of technological feasibility, which is generally the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Amortization begins once the software is ready for its intended use, generally based on the pattern in which the economic benefits will be consumed. To date, software development costs incurred between completion of a working prototype and general availability of the related product have not been material.

Treasury Stock

The Company is authorized to make treasury stock purchases in the open market pursuant to the share repurchase program, which was approved by its Board of Directors on August 28, 2008. The Company accounts for the purchase of treasury stock under the cost method. *For additional information on the Company's stock repurchase program, see [Note 12](#) to the Consolidated Financial Statements.* There were no treasury stock repurchases under the program for the years ended December 31, 2021, 2020 and 2019.

Revenue Recognition

The Company derives its revenues primarily from subscriptions, services, and associated software maintenance and support services.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the customer contract(s);
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the customer contract(s); and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Subscription revenue

Subscription revenue primarily consists of fees that give customers access to one or more of the Company's cloud applications with related customer support. The Company primarily recognizes subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis. The Company's subscription contracts do not provide customers with the right to take possession of the software supporting the service and, as a result, are accounted for as service contracts. The Company's subscription contracts are generally two to five years in length, billed annually in advance, and non-cancelable.

Maintenance and support revenue

Maintenance and support revenue includes customer support for on-premises licenses and the right to unspecified software updates and enhancements. The Company recognizes revenue from maintenance and support arrangements ratably over the period in which the services are provided. The Company's maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services revenue

Services revenue primarily consists of fees for configuration services, consulting and training. The Company typically sells its services either on a fixed-fee or time-and-material basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. The majority of the Company's Services contracts are on a fixed-fee basis. Training revenue is recognized as the services are rendered.

Significant judgments are required in determining whether services contained in the Company's customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are not determined to be distinct, the services and the subscription are determined to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date subscription services are made available to the customer.

Customer contracts with multiple performance obligations

A portion of the Company's customer contracts contain multiple performance obligations. Significant judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue for that separate performance obligation is recognized when, or as, the Company satisfies the performance obligation. If obligations are not determined to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

Disaggregation of revenue

The Company categorizes revenue from external customers by geographic area based on the location of the customer's headquarters. *For additional information regarding the Company's revenue by geography, see [Note 19](#) to the Consolidated Financial Statements.*

Foreign Currency

The Company has contracts denominated in foreign currencies and therefore a portion of the Company's revenue is subject to foreign currency risks. Gains and losses from foreign currency transactions, such as those resulting from the settlement of receivables, are classified in other income (expense), net included in the accompanying Consolidated Statements of Comprehensive Income (Loss).

The functional currency of PROS France SAS ("PROS France") is the Euro. The financial statements of this subsidiary are translated into U.S. dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenue and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity.

Noncash Share-Based Compensation

The Company's Amended and Restated 2017 Equity Incentive Plan (the "2017 Stock Plan") provides for noncash share-based compensation through the grant of: (i) restricted stock awards; (ii) restricted stock unit awards - time, performance and market-based ("RSUs"); (iii) stock options; (iv) stock appreciation rights ("SARs"); (v) phantom stock; and (vi) performance awards, such as market stock units ("MSUs"). To date, the Company has granted RSUs and MSUs from this plan.

The Company issues common stock from its pool of authorized stock upon exercise of stock options, settlement of SARs and MSUs or upon vesting of RSUs.

The Company utilized a prior plan, 2007 Equity Incentive Plan (the "2007 Stock Plan"), to make certain noncash share-based compensation awards through its expiration in March 2017. Under this plan, the Company granted stock options, SARs, RSUs and MSUs. All awards previously granted under the 2007 Stock Plan have been exercised or otherwise terminated as of December 31, 2021.

In November 2021, the Company granted inducement awards in an aggregate amount of 332,004 shares in accordance with NYSE Rule 303A.08. These inducement awards were in the form of RSUs granted to certain new employees in connection with the acquisition of EveryMundo.

As part of the EveryMundo acquisition in November 2021, the purchase agreement included equity consideration of 273,120 shares of the Company's common stock to be issued to the recipients contingent on their employment with the Company during a two-year period. Based on the underlying agreements, this portion of the consideration was determined to represent post-combination noncash share-based compensation expense from an accounting perspective as opposed to purchase consideration.

The following table presents the number of awards outstanding for each award type as of December 31, 2021 and 2020 (in thousands):

Award type	Year Ended December 31,	
	2021	2020
Restricted stock units (time-based)	2,145	1,802
Restricted stock units (performance-based)	140	162
Stock appreciation rights	—	28
Market stock units	126	111
EveryMundo Equity consideration	273	—

Stock options. The Company did not grant stock options during 2021 and 2020. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model.

Restricted stock units. The fair value of the RSUs (time-based and performance-based) is based on the closing price of the Company's stock on the date of grant and is amortized over the vesting period. RSUs include (i) time-based awards and (ii) performance-based awards in which the number of shares that vest are based upon achievement of certain internal performance metrics set by the Company.

Stock appreciation rights. SARs will be settled in stock at the time of exercise and vest over four years from the date of grant. The Company used the Black-Scholes option pricing model to estimate the fair value of its SARs. The determination of the fair value of SARs utilizing the Black-Scholes model is affected by the Company's stock price and a number of assumptions, including expected volatility, expected life, delivery of risk-free interest rate and expected dividends. The Company estimates the expected volatility of common stock at the date of grant based on a combination of its historical volatility and the average volatility of comparable companies. The expected life of the SARs noncash share-based payment awards is a historical weighted average of the expected lives of similar securities of comparable public companies. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of the Company's awards. The dividend yield assumption is based on the Company's expectation of paying no dividends.

Market stock units. MSUs are performance-based awards that vest based upon the Company's relative shareholder return. The actual number of MSUs that will be eligible to vest is based on the total shareholder return of the Company relative to the total shareholder return of the Russell 2000 Index ("Index") over a 3-year period ending December 31, 2020 and December 31, 2023 ("Performance Period"), respectively. The MSUs vested on January 10, 2021, and will vest on January 31,

2024, respectively. The maximum number of shares issuable upon vesting is 200% of the MSUs initially granted based on the average price of the Company's common stock relative to the Index during the Performance Period. The Company estimates the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatility of the Company's stock and the Index, its risk-free interest rate and expected dividends. The Company's expected volatility at the date of grant was based on the historical volatilities of the Company and the Index over the Performance Period.

Equity consideration. The fair value of the equity consideration stock awards is based on the closing price of the Company's stock on the date of grant and is amortized over the vesting period.

As the Company issues stock options and SARs, it evaluates the assumptions used to value its stock option awards and SARs. If factors change and the Company employs different assumptions, noncash share-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned noncash share-based compensation expense. Future noncash share-based compensation expense and unearned noncash share-based compensation will increase to the extent that the Company grants additional equity awards to employees.

At December 31, 2021, there were an estimated \$84.6 million of total unrecognized compensation costs related to noncash share-based compensation arrangements. These costs will be recognized over a weighted average period of 2.6 years. *For further discussion of the Company's noncash share-based compensation plans, see [Note 14](#) to the Consolidated Financial Statements.*

Income Taxes

The Company uses the asset and liability method to account for income taxes, including recognition of deferred tax assets and liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in the valuation allowance from period to period are included in the Company's tax provision in the period of change.

The Company accounts for uncertain income tax positions recognized in an enterprise's financial statements in accordance with the income tax topic of the ASC issued by the FASB. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in its tax returns. This guidance provides clarification on recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Company recognizes accrued interest and penalties related to income taxes, if any, as a component of income tax expense. *For additional information regarding the Company's income taxes, see [Note 15](#) to the Consolidated Financial Statements.*

Segment Reporting

The Company reports as one operating segment with the Chief Executive Officer ("CEO") acting as the Company's chief operating decision maker. The Company's CEO reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has a single reporting unit, and there are no segment managers who are held accountable for operations, operating results or components below the consolidated unit level.

Earnings Per Share

The Company computes basic earnings (loss) per share by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by giving effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible notes using the if-converted method. Dilutive potential common shares consist of shares issuable upon the exercise of stock options, shares of unvested restricted stock units, market stock units and equity consideration, and settlement of stock appreciation rights. When the Company incurs a net loss, the effect of the Company's outstanding stock options, stock appreciation rights, restricted stock units, market stock units, equity consideration and convertible notes are not included in the calculation of diluted earnings (loss) per share as the effect would be anti-dilutive. Accordingly, basic and diluted net loss per share are identical.

Recently Adopted Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contract with Customers ("Topic 805")*, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. This new standard is effective for the Company's interim and annual periods beginning January 1, 2023, and earlier adoption is permitted. The Company early adopted Topic 805 in the fourth quarter of 2021 and there was no impact on the Company's Consolidated Financial Statements as of the adoption date. The Company applied the standard prospectively to the acquisition of EveryMundo which occurred in November 2021.

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options ("Subtopic 470-20") and Derivatives and Hedging - Contracts in an Entity's Own Equity ("Subtopic 815-40")*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. This new standard is effective for the Company's interim and annual periods beginning January 1, 2022, and earlier adoption is permitted on January 1, 2021. The Company may elect to apply the amendments on a retrospective or modified retrospective basis. The Company early adopted the new standard effective January 1, 2021 on the modified retrospective basis. The adoption decreased additional paid-in capital by \$80.1 million related to the equity conversion component of the outstanding convertible notes which was previously separated and recorded in equity, and increased convertible debt, net by \$68.8 million related to the removal of the debt discounts and adjustment of debt issuance cost recorded under the previous standard. The net cumulative effect of the adjustments of \$11.3 million was recorded as a decrease to the opening balance of the accumulated deficit as of January 1, 2021. As a result of the adoption the noncash interest expense was lower for the year ended December 31, 2021 and will be lower for the remaining term of the outstanding convertible notes. The adoption had no impact on the Consolidated Statements of Cash Flows. Consolidated Financial Statements for the years ended December 31, 2020 and 2019 remain as previously reported.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("Topic 326")*, in order to improve financial reporting of expected credit losses on financial instruments and other commitments to extend credit. Topic 326 requires that an entity measure and recognize expected credit losses for financial assets held at amortized cost and replaces the incurred loss impairment methodology in current GAAP with a methodology that requires consideration of a broader range of information to estimate credit losses. The Company adopted Topic 326 as of January 1, 2020 using the modified retrospective method and there was no material impact on the Company's Consolidated Financial Statements as of the adoption date.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)" ("Topic 842")*, which requires the lessee to recognize most leases on the balance sheet thereby resulting in the recognition of right-of-use ("ROU") assets and lease liabilities for those leases currently classified as operating leases. Lessor accounting remains largely unchanged from current guidance, however, Topic 842 provides improvements that are intended to align lessor accounting with the lessee model and with updated revenue recognition guidance. This standard took effect in the first quarter of 2019, including interim periods within that reporting period. The Company adopted Topic 842 as of January 1, 2019 using the modified retrospective method by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balances of operating ROU assets and lease liabilities, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under the prior lease accounting rules in ASC 840, "Leases". See Note 2 - Summary of Significant Accounting Policies to the Consolidated Financial Statements included in form 10-K for the year ended December 31, 2019, regarding the impact of Topic 842 adoption on the Consolidated Financial Statements.

Recent Accounting Pronouncements

With the exception of the new standards discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2021, that are of significance or potential significance to the Company.

3. Business Combinations

EveryMundo

On November 30, 2021, the Company acquired EveryMundo LLC ("EveryMundo"), a privately held company based in Miami, Florida, for a cash consideration, net of cash acquired, of approximately \$79.5 million and an equity consideration of approximately \$10.0 million. Since the equity consideration is contingent on employment over a two-year period with the

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Company, under the accounting guidance it was determined to represent post-combination compensation arrangement and was not included as part of the purchase price allocation. EveryMundo is a digital offer marketing pioneer that enables brands to broaden their digital reach and deepen customer engagement, providing greater control over direct and indirect channels they participate in to help create superior brand experiences and foster brand loyalty over time.

Since the acquisition date and for the year ended December 31, 2021, the Company has included \$1.1 million of revenue and \$1.4 million of net loss related to EveryMundo in its Consolidated Statements of Comprehensive Income (Loss). During the year ended December 31, 2021, the Company incurred acquisition-related costs of \$2.4 million consisting primarily of advisory, legal, accounting and other professional fees, and integration costs.

The preliminary allocation of the purchase price for EveryMundo is as follows (in thousands):

Current assets	\$ 2,193
Noncurrent assets	736
Intangibles	23,300
Goodwill	58,915
Current liabilities	(4,972)
Noncurrent liabilities	(542)
Purchase consideration	<u>\$ 79,630</u>

The following are the identifiable intangible assets acquired (in thousands) with respect to the EveryMundo acquisition, and their respective useful lives:

	Amount	Weighted Average Useful Life (years)
Developed technology	\$ 15,700	5
Customer relationships	5,500	4
Trade name	2,100	8
Total	<u>\$ 23,300</u>	

The goodwill recognized was primarily attributable to the assembled workforce and expanded market opportunities from integrating EveryMundo's technology into the Company's product portfolio. The goodwill is deductible for U.S. federal income tax purposes.

The Company made a preliminary determination that \$2.8 million of deferred tax asset was assumed on the acquisition date. The deferred tax asset is comprised of excess tax basis in goodwill. A full valuation allowance of \$2.8 million was recorded offsetting the deferred tax asset as of the acquisition date.

Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of the Company and EveryMundo, on a pro forma basis as though the Company had acquired EveryMundo on January 1, 2020. The pro forma information for all periods presented also includes the effect of business combination accounting resulting from the acquisition, including amortization charges from acquired intangible assets.

(in thousands, except earnings per share)	Year Ended December 31,	
	2021	2020
Total revenue	\$ 261,807	\$ 263,060
Net loss	(99,605)	(84,498)
Earnings per share - basic and diluted	\$ (2.25)	\$ (1.95)

Travelaer

On August 14, 2019, the Company acquired Travelaer SAS ("Travelaer"), a privately held company based near Nice, France, for a total cash consideration, net of cash acquired, of approximately \$10.5 million. Travelaer is a digital innovator for the travel industry with a focus on improving the customer experience across all phases of travel, and brings an internet booking engine and New Distribution Capability platform to the Company's portfolio. The Company has included the financial results of Travelaer in the Consolidated Financial Statements from the date of the acquisition, which have not been material to date. The transaction cost associated with the acquisition was \$0.5 million for the year ended December 31, 2019.

The Company accounted for the transaction as a business combination and all of the assets acquired and the liabilities assumed in the transaction have been recognized at their acquisition date fair values. The Company recorded approximately \$2 million for developed technology and customer relationships with estimated useful lives of seven years and five years, respectively. The Company recorded approximately \$11 million of goodwill which is primarily related to the assembled workforce and expanded market opportunities from integrating Travelaer's technology with the Company's solutions. The goodwill balance is not deductible for U.S. income tax purposes.

4. Trade and Other Receivables, Net

Accounts receivable at December 31, 2021 and 2020, consists of the following (in thousands):

	December 31,	
	2021	2020
Accounts receivable	\$ 38,398	\$ 50,257
Unbilled receivables and contract assets	3,389	3,443
Total receivables	41,787	53,700
Less: Allowance for doubtful accounts	(1,206)	(4,122)
Trade and other receivables, net	<u>\$ 40,581</u>	<u>\$ 49,578</u>

The bad debt (recovery) expense reflected in general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019, totaled approximately \$(1.9) million, \$4.8 million and \$(0.6) million, respectively. However, as a result of the ongoing and uncertain economic conditions caused by COVID-19, the amount of bad debt expense recognized by the Company could vary in the near term depending on the ongoing impact of COVID-19 on the Company's customers and inherently the related receivables.

5. Deferred Costs

Deferred costs, which primarily consist of deferred sales commissions, were \$15.3 million and \$18.5 million as of December 31, 2021 and December 31, 2020, respectively. Amortization expense for the deferred costs was \$6.2 million, \$5.9 million and \$4.8 million for the year ended December 31, 2021, 2020 and 2019, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

6. Deferred Implementation Costs

Deferred implementation costs, which related to certain customer contract fulfillment costs, were \$2.4 million and \$2.9 million as of December 31, 2021 and December 31, 2020, respectively. Amortization expense for the deferred implementation costs was \$1.2 million, \$1.8 million and \$1.4 million for the year ended December 31, 2021, 2020 and 2019, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

7. Property and Equipment, Net

Property and equipment, net as of December 31, 2021 and 2020 consists of the following:

	Estimated useful life	December 31,	
		2021	2020
Furniture and fixtures	5-10 years	\$ 6,312	\$ 6,248
Computers and equipment	3-5 years	17,008	17,333
Software	3-6 years	7,879	7,646
Capitalized internal-use software development costs	3 years	11,908	12,217
Leasehold improvements	Shorter of lease term or useful life	21,867	20,709
Construction in progress		—	147
Property and equipment, gross		64,974	64,300
Less: Accumulated depreciation and amortization		(34,016)	(27,796)
Property and equipment, net		<u>\$ 30,958</u>	<u>\$ 36,504</u>

Depreciation and amortization was approximately \$8.0 million, \$8.0 million and \$7.1 million for the years ended December 31, 2021, 2020 and 2019, respectively. During the years ended December 31, 2021, 2020 and 2019, the Company disposed of approximately \$1.5 million, \$8.3 million and \$7.4 million, respectively, of fully depreciated assets. During the years ended December 31, 2021, 2020 and 2019, the Company recognized no loss on disposal of assets. As of December 31, 2021 and 2020, the Company had approximately \$15.2 million and \$10.7 million, respectively, of fully depreciated assets in use.

During the years ended December 31, 2021 and 2020, the Company capitalized internal-use software development costs of approximately zero and \$1.7 million, respectively, related to its subscription solutions. As of December 31, 2021 and 2020, \$11.9 million and \$12.2 million, respectively, of capitalized internal-use software development costs were subject to amortization and \$10.1 million and \$7.3 million, respectively, of capitalized internal-use software development costs were included in accumulated depreciation and amortization for the years ended December 31, 2021 and 2020.

No impairment was recorded for the years ended December 31, 2021, 2020 and 2019.

8. Leases

The Company has operating leases for data centers, computer infrastructure, corporate offices and certain equipment. These leases have remaining lease terms ranging from 1 year to 12 years. Some of these leases include options to extend for up to 15 years, and some include options to terminate within 1 year. The Company includes options in the lease terms when it is reasonably certain the Company will exercise that option.

As of December 31, 2021, the Company did not have any finance leases.

The components of operating lease expense were as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Operating lease cost	\$ 9,737	\$ 11,632	\$ 10,109
Variable lease cost	3,905	1,717	1,810
Sublease income	(108)	(375)	(332)
Total lease cost	<u>\$ 13,534</u>	<u>\$ 12,974</u>	<u>\$ 11,587</u>

Supplemental information related to leases was as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cash paid for amounts included in the measurement of lease liability:			
Cash paid for operating lease liabilities	\$ 8,828	\$ 7,562	\$ 5,883
Right-of-use asset obtained in exchange for operating lease liability (1)	\$ 1,949	\$ 12,599	\$ 34,418

(1) For the year ended December 31, 2019, the balance included \$26.9 million for operating leases existing on January 1, 2019 upon adoption of ASU 842.

	December 31, 2021	December 31, 2020
Weighted average remaining lease term:		
Operating leases	8.2 years	8.6 years
Weighted average discount rate:		
Operating leases	7.32 %	7.12 %

As of December 31, 2021, maturities of lease liabilities were as follows (in thousands):

Year Ending December 31,	Amount
2022	\$ 11,483
2023	11,569
2024	5,582
2025	4,258
2026	4,124
2027 and thereafter	27,726
Total operating lease payments	64,742
Less: Imputed interest	(18,251)
Total operating lease liabilities	\$ 46,491

9. Goodwill and Intangible Assets

The change in the carrying amount of goodwill for the years ended December 31, 2021 and 2020, was as follows (in thousands):

Balance as of December 31, 2019	\$ 49,104
Foreign currency translation adjustments	940
Balance as of December 31, 2020	50,044
Goodwill acquired	58,915
Foreign currency translation adjustments	(826)
Balance as of December 31, 2021	\$ 108,133

The goodwill balance related to PROS France is denominated in Euro and the goodwill balance related to PROS Travel Commerce, Inc. (formerly Vayant Travel Technologies, Inc.) ("Vayant"), TraveLaer and EveryMundo is denominated in the U.S. dollar.

Intangible assets consisted of the following as of December 31, (in thousands):

	Weighted average useful life (years)	December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization*	Net Carrying Amount
Developed technology	6	\$ 42,644	\$ 23,268	\$ 19,376
Maintenance relationships	8	3,470	3,452	18
Customer relationships	5	17,948	11,802	6,146
Trade name	8	2,100	22	2,078
Acquired technology	2	1,925	1,925	—
Total		<u>\$ 68,087</u>	<u>\$ 40,469</u>	<u>\$ 27,618</u>

*Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, had an immaterial impact on intangible assets as of December 31, 2021.

	Weighted average useful life (years)	December 31, 2020		
		Gross Carrying Amount	Accumulated Amortization*	Net Carrying Amount
Developed technology	7	\$ 27,700	\$ 22,077	\$ 5,623
Maintenance relationships	8	3,608	3,259	349
Customer relationships	6	12,513	10,144	2,369
Acquired technology	2	1,925	1,925	—
Total		<u>\$ 45,746</u>	<u>\$ 37,405</u>	<u>\$ 8,341</u>

*Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, decreased total intangible assets by approximately \$0.1 million as of December 31, 2020.

Intangible asset amortization expense for the years ended December 31, 2021, 2020 and 2019 was \$4.0 million, \$6.3 million and \$6.8 million, respectively. As of December 31, 2021, the expected future amortization expense for the acquired intangible assets for each of the five succeeding years and thereafter was as follows (in thousands):

Year Ending December 31,	Amount
2022	\$ 9,763
2023	6,183
2024	4,637
2025	3,736
2026	2,533
2027 and thereafter	766
Total amortization expense	<u>\$ 27,618</u>

10. Fair Value Measurements

The Company adopted fair value measurements guidance for financial and nonfinancial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements.

The guidance defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. The guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets or liabilities in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

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

A portion of the Company's existing cash and cash equivalents are invested in short-term interest bearing obligations with original maturities less than 90 days, principally various types of money market funds. The Company does not enter into investments for trading or speculative purposes.

At December 31, 2021 and 2020, the Company had approximately \$203.3 million and \$301.3 million invested in treasury money market funds. The fair value of the treasury money market funds is determined based on quoted market prices, which represents level 1 in the fair value hierarchy as defined by Accounting Standard Codification ("ASC") 820, "*Fair Value Measurement and Disclosure*."

The fair value of the Company's Notes is classified in the level 2 hierarchy. See [Note 16](#) for further detail regarding the Notes.

As of December 31, 2021 and 2020, the Company had \$5.5 million and \$2.6 million, respectively, of equity securities in privately held companies and a venture fund. The increase in 2021 was primarily due to a \$2.0 million new investment in a privately held company. These investments are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. The Company estimates the fair value of its equity investments by considering available information such as pricing in recent rounds of financing and any other readily available market data, which represents level 3 in the fair value hierarchy. An impairment charge to current earnings is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary. As of December 31, 2021, 2020 and 2019 the Company determined there were no other-than-temporary impairments on its equity investments.

11. Deferred Revenue and Performance Obligations

Deferred Revenue

For the year ended December 31, 2021 and 2020, the Company recognized approximately \$95.2 million and \$120.9 million, respectively, of revenue that was included in the deferred revenue balances at the beginning of the respective periods and primarily related to subscription services, maintenance and support, and other services.

Performance Obligations

As of December 31, 2021, the Company expects to recognize approximately \$360.5 million of revenue from remaining performance obligations. The Company expects to recognize revenue on approximately \$184.6 million of these performance obligations over the next 12 months, with the balance recognized thereafter. However, as a result of the ongoing and uncertain economic conditions caused by COVID-19, the amount of revenue recognized from the Company's contractual remaining performance obligations could vary and be less than what the Company expects as revenue recognized could be delayed or not occur depending on the ongoing impact of COVID-19.

12. Stockholders' equity

Stock Repurchase

On August 25, 2008, the Company's Board of Directors approved a stock repurchase program that authorized the Company to purchase up to \$15.0 million of the Company's outstanding shares of common stock. Under the board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

The Company did not repurchase any shares under this plan for the years ended December 31, 2021 and 2020. The remaining amount available to purchase common stock under this plan was \$10.0 million as of December 31, 2021.

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	For the Year Ended December 31,		
	2021	2020	2019
Numerator:			
Net loss	\$ (81,209)	\$ (76,984)	\$ (69,081)
Denominator:			
Weighted average shares (basic)	44,348	43,301	40,232
Dilutive effect of potential common shares	—	—	—
Weighted average shares (diluted)	44,348	43,301	40,232
Basic earnings per share	\$ (1.83)	\$ (1.78)	\$ (1.72)
Diluted earnings per share	\$ (1.83)	\$ (1.78)	\$ (1.72)

Dilutive potential common shares consist of shares issuable upon the exercise of stock options, settlement of SARs, and the vesting of RSUs, MSUs and equity consideration. Potential common shares determined to be antidilutive and excluded from diluted weighted average shares outstanding were approximately 1.5 million, 1.4 million and 2.1 million for the years ended December 31, 2021, 2020 and 2019, respectively. Potential common shares related to the Notes determined to be antidilutive and excluded from diluted weighted average shares outstanding were 5.8 million, 5.8 million and 2.2 million for the year ended December 31, 2021, 2020 and 2019, respectively.

14. Noncash Share-Based Compensation

Employee Noncash Share-based Compensation Plans

2017 Stock Plan. The Company's 2017 Stock Plan provides for the issuance of awards to employees, officers, directors and certain other individuals providing services to the Company are eligible to receive awards. In May 2021, the Company's stockholders approved an amendment to the 2017 Stock Plan increasing the aggregate amount of shares available for issuance to 7,650,000. The Company may provide these incentives through the grant of: (i) restricted stock awards; (ii) RSUs (time, performance and market-based); (iii) stock options; (iv) SARs; (v) phantom stock; and (vi) performance awards, such as MSUs.

As of December 31, 2021, the Company had outstanding equity awards to acquire 2,078,375 shares of its common stock held by the Company's employees, directors and consultants under the 2017 Stock Plan (assuming MSU performance at 100% of the MSUs initially granted), and inclusive of 1,952,834 RSUs and 125,541 MSUs. As of December 31, 2021, 3,961,598 shares remain available for grant under the 2017 Stock Plan. As of December 31, 2021, there were no options, SARs, restricted stock awards or phantom stock issued under the 2017 Stock Plan.

2007 Stock Plan. The Company's 2007 Stock Plan expired in March 2017 for purposes of granting future equity awards. During the year ended December 31, 2021 any remaining outstanding equity awards under this plan vested or were exercised and as of December 31, 2021, the Company had zero outstanding equity awards under the 2007 Stock Plan.

Inducement awards. In November 2021, the Company granted inducement awards in an aggregate amount of 332,004 shares in accordance with NYSE Rule 303A.08. These inducement awards were in the form of RSUs granted to certain new employees in connection with the acquisition of EveryMundo. As of December 31, 2021, the Company had 332,004 outstanding equity inducement awards (the inducement awards, together with the 2017 Stock Plan and the 2007 Stock Plan, are referred to as the "Stock Plans").

Equity consideration. As part of the EveryMundo acquisition in November 2021, the purchase agreement included equity consideration of 273,120 shares of the Company's common stock to be issued to the recipients contingent on their employment with the Company during a two-year period. Based on the underlying agreements, this portion of the consideration was determined to represent post-combination noncash share-based compensation expense from an accounting perspective as opposed to purchase consideration. The grant date fair value of the equity consideration stock awards is \$36.32 and they vest in equal annual installments over a two-year period from the grant date.

Noncash share-based compensation expense for all noncash share-based payment awards granted is determined based on the grant date fair value of the award. The Company recognizes compensation expense, net of estimated forfeitures, which represents noncash share-based awards expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term. Noncash share-based awards typically vest over four years. Stock options are generally granted for a ten-year term. The Company estimates forfeiture rates based on its historical experience for grant years where the majority of the vesting terms have been satisfied. Changes in estimated forfeiture rates are recognized through a cumulative catch-up adjustment in the period of change and thus impact the amount of noncash share-based compensation expense to be recognized in future periods.

Noncash share-based compensation expense is allocated to expense categories on the Consolidated Statements of Comprehensive Income (Loss). The following table summarizes noncash share-based compensation expense, net of amounts capitalized, for the years ended December 31, 2021, 2020 and 2019 (in thousands).

	For the Year Ended December 31,		
	2021	2020	2019
Share-based compensation:			
Cost of revenue	\$ 3,679	\$ 2,132	\$ 2,025
Operating expenses:			
Selling and marketing	10,407	6,536	5,995
Research and development	8,288	6,061	5,209
General and administrative	12,701	9,670	11,451
Total included in operating expenses	31,396	22,267	22,655
Total share-based compensation expense	\$ 35,075	\$ 24,399	\$ 24,680

At December 31, 2021, there was an estimated \$84.6 million of total unrecognized compensation costs related to noncash share-based compensation arrangements. These costs will be recognized over a weighted average period of 2.6 years.

RSUs (time-based)

The Company has granted time-based RSUs under the Stock Plans. Time-based RSUs granted to employees, directors and consultants vest in equal annual installments over a one to four-year period from the grant date.

The following table summarizes the Company's unvested time-based RSUs as of December 31, 2021, and changes during the year then ended (number of shares in thousands):

	Number of shares	Weighted average grant date fair value	Weighted average remaining contractual term (year)
Unvested at December 31, 2020	1,802	\$ 41.44	
Granted	1,308	43.28	
Vested	(742)	36.52	
Forfeited	(223)	48.11	
Unvested at December 31, 2021	2,145	\$ 43.57	2.51

The weighted average grant-date fair value of the time-based RSUs granted during the years ended December 31, 2021, 2020 and 2019 was \$43.28, \$52.62 and \$35.38, respectively. The total fair value as of the respective vesting date of time-based RSUs vested during the years ended December 31, 2021, 2020 and 2019 was \$32.9 million, \$46.7 million and \$29.9 million, respectively.

RSUs (performance-based)

During 2019 and 2020, the Company granted performance-based RSUs ("PRSUs") under the 2017 Stock Plan to certain executive employees. These PRSUs vest on January 15, 2022 and January 13, 2023, respectively, and the actual number of PRSUs that will be eligible to vest is based upon achievement of certain internal performance metrics, as defined by each award's plan documents or individual award agreements. The maximum number of shares issuable upon vesting is 200% of the PRSUs initially granted. The following table summarizes the Company's unvested PRSUs as of December 31, 2021, and changes during the year then ended (number of shares in thousands):

	Number of shares	Weighted average grant date fair value	Weighted average remaining contractual term (year)
Unvested at December 31, 2020	162	\$ 41.89	
Granted	—	—	
Vested	—	—	
Forfeited	(22)	54.23	
Unvested at December 31, 2021	<u>140</u>	<u>\$ 42.93</u>	0.51

The weighted average grant-date fair value of the performance-based RSUs granted during the years ended December 31, 2020 and 2019 was \$54.23 and \$33.05, respectively.

SARs

The Company has granted SARs under the 2007 Stock Plan. These SARs will be settled in stock at the time of exercise and vest four years from the date of grant subject to the recipient's continued employment with the Company. The number of shares issued upon the exercise of the SARs is calculated as the difference between the share price of the Company's stock on the date of exercise and the date of grant multiplied by the number of SARs divided by the share price on the exercise date. The following table summarizes the Company's SARs activity for the year ended December 31, 2021 (number of shares and intrinsic value in thousands):

	Stock appreciation rights	Weighted average exercise price	Weighted average remaining contractual term (year)	Aggregate intrinsic value (1)
Outstanding, December 31, 2020	28	\$ 11.42		
Granted	—	—		
Exercised	(28)	11.42		
Forfeited	—	—		
Expired	—	—		
Outstanding, December 31, 2021	<u>—</u>	<u>\$ —</u>	0	\$ —
Exercisable at December 31, 2021	<u>—</u>	<u>\$ —</u>	0	\$ —
Vested and expected to vest at December 31, 2021	<u>—</u>	<u>\$ —</u>	0	\$ —

(1) The aggregate intrinsic value was calculated based on the positive difference between the estimated fair value of the Company's common stock on December 31, 2021 of \$34.49 and the exercise price of the underlying SARs.

The Company did not grant SARs in 2021, 2020 and 2019. The total intrinsic value of SARs exercised during the years ended December 31, 2021, 2020 and 2019 was \$1.0 million, \$1.6 million and \$11.7 million, respectively.

MSUs

In 2018 and 2021, the Company granted MSUs to certain executive employees under the Stock Plans. The MSUs are performance-based awards that vest based upon the Company's relative shareholder return. The actual number of MSUs that will be eligible to vest is based on the total shareholder return of the Company relative to the total shareholder return of the Index over the 3-year Performance Period. The 2018 MSUs vested on January 10, 2021 and the 2021 MSUs will vest on

January 31, 2024. The MSUs maximum number of shares issuable upon vesting is 200% of the MSUs initially granted. The Company did not grant any MSUs in 2020 or 2019. The following table summarizes the Company's MSUs activity for the year ended December 31, 2021 (number of shares in thousands):

	Number of unvested awards	Weighted average grant date fair value	Weighted average remaining contractual term (year)
Unvested at December 31, 2020	111	\$ 38.18	
Granted	126	56.05	
Vested	(111)	38.18	
Forfeited	—	—	
Expired	—	—	
Unvested at December 31, 2021	<u>126</u>	<u>\$ 56.05</u>	2.09

The total fair value as of the respective vesting date of the MSUs vested during the years ended December 31, 2021, 2020 and 2019 was \$10.7 million, \$12.7 million and \$24.0 million, respectively.

The Company estimates the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatilities of the Company's stock and the Index, its risk-free interest rate and expected dividends. The Company's expected volatility at the date of grant was based on the historical volatilities of the Company and the Index over the Performance Period. The Company did not estimate a forfeiture rate for the MSUs due to the limited size, the vesting period and nature of the grantee population and the lack of history of granting this type of award. Significant assumptions used in the Monte Carlo simulation model for MSUs granted during the year ended December 31, 2021 are as follows:

	<u>For the Year Ended December 31,</u> <u>2021</u>
Volatility	53.29%
Risk-free interest rate	0.22%
Expected award life in years	2.97
Dividend yield	—

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") provides for eligible employees to purchase shares on an after-tax basis in an amount between 1% and 10% of their annual pay: (i) on June 30 of each year at a 15% discount of the fair market value of the Company's common stock on January 1 or June 30, whichever is lower, and (ii) on December 31 of each year at a 15% discount of the fair market value of the Company's common stock on July 1 or December 31, whichever is lower. An employee may not purchase more than \$5,000 in either of the six-month measurement periods described above or more than \$10,000 annually. In May 2021, the Company's stockholders approved an amendment to the ESPP Plan increasing the aggregate amount of shares available for issuance under the ESPP to 1,000,000. During the year ended December 31, 2021, the Company issued 81,083 shares under the ESPP. As of December 31, 2021, 493,711 shares remain authorized and available for issuance under the ESPP. As of December 31, 2021, the Company held approximately \$1.4 million on behalf of employees for future purchases under the ESPP, and this amount was recorded in accrued liabilities in the Company's Consolidated Balance Sheet.

15. Income Taxes

The income tax provision consisted of the following for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	\$ —	\$ —	\$ —
State and Foreign	870	676	624
	<u>870</u>	<u>676</u>	<u>624</u>
Deferred:			
Federal	—	—	—
State	—	—	—
Income tax provision	<u>\$ 870</u>	<u>\$ 676</u>	<u>\$ 624</u>

The differences between the effective tax rates reflected in the total provision for income taxes and the U.S. federal statutory rate of 21% for the years ended December 31, 2021, 2020 and 2019, respectively, were as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Provision at the U.S. federal statutory rate	\$ (16,870)	\$ (16,035)	\$ (14,491)
Increase (decrease) resulting from:			
State income taxes, net of federal taxes	—	—	17
Nondeductible expenses	630	482	468
Statutory to GAAP income adjustment	(193)	109	(640)
Noncash share-based compensation	1,194	(3,268)	(570)
Other	624	460	(368)
Incremental benefits for tax credits	(2,494)	(2,391)	(990)
Change in tax rate/income subject to lower tax rates	571	(2,385)	788
Change related to prior tax years	759	(553)	4,006
Change related to US tax reform	—	—	—
Change in valuation allowance	16,649	24,257	12,404
Income tax provision	<u>\$ 870</u>	<u>\$ 676</u>	<u>\$ 624</u>

The Company's effective tax rate was (1.1)%, (0.9)% and (0.9)% for the years ended December 31, 2021, 2020 and 2019, respectively. During the year ended December 31, 2021, the Company's effective tax rate was impacted primarily by changes in valuation allowance.

The tax effects of temporary differences and other tax attributes that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Noncurrent deferred taxes:		
Property and equipment	\$ (694)	\$ (104)
Noncash share-based compensation	3,235	2,878
Disallowed interest expense	9,290	8,174
Capitalized software	(1,534)	(2,097)
Amortization	1,364	(1,831)
Operating lease right-of-use assets	(6,374)	(5,645)
Operating lease liabilities	10,914	9,833
R&E tax credit carryforwards	14,886	12,620
Deferred revenue	1,879	2,441
Federal Net Operating Losses ("NOLs")	92,960	81,745
State NOLs	3,165	2,697
State Credits	4,157	3,987
Foreign NOLs	11,759	14,090
Foreign tax credit carryforward	2,168	2,168
Other	(223)	(93)
Total noncurrent deferred tax assets	146,952	130,863
Less: Valuation allowance	(146,832)	(130,733)
Total net deferred tax asset	<u>\$ 120</u>	<u>\$ 130</u>

The net deferred tax asset is classified as other assets, noncurrent in the accompanying Consolidated Balance Sheets.

The Company continues to record a valuation allowance against its U.S. Federal, U.S. State, and France net deferred tax balances. This valuation allowance is evaluated periodically and will be reversed partially or in whole if business results and the economic environment have sufficiently improved to support realization of some or all of the Company's deferred tax assets. In performing the analysis throughout 2021, the Company determined that there was no sufficient positive evidence to outweigh the current and historic negative evidence to determine that it was more likely than not that the deferred assets would not be realized. Therefore, the Company continues to have a valuation allowance against net deferred tax assets as of December 31, 2021 and 2020.

The U.S. federal net operating losses, R&E tax credit and U.S. foreign tax credit carryforward amount available to be used in future periods, taking into account the Section 382 annual limitation and current year losses, is approximately \$442.9 million, \$19.0 million and \$2.2 million, respectively. The Company's net operating losses will begin to expire in 2024, R&E credits will begin to expire in 2031, and foreign tax credits will begin to expire in 2022. The U.S. net operating losses generated after January 1, 2018 have no expiration. Also included in foreign net operating losses are \$44.4 million of French carryforwards which have no expiration.

The Company has federal and state net operating loss carryforwards related to current and prior year operations and acquisitions. Internal Revenue Code Section 382 ("Section 382") places certain limitations on the annual amount of U.S. net operating loss carryforwards that can be utilized when a change of ownership occurs. The Company believes the past acquisitions were changes in ownership pursuant to Section 382, subjecting federal acquired net operating losses to limitations. According to French tax law, the net operating loss carryforwards are not subject to ownership change limitations.

Undistributed earnings of the Company's foreign subsidiaries are considered permanently reinvested and, accordingly, no provision for U.S. federal or state income taxes or non-U.S. withholding taxes has been provided thereon. The cumulative amount of positive undistributed earnings of the Company's non-U.S. subsidiaries, if any, was minimal for the years ended December 31, 2021 and 2020. The Company is presently investing in international operations located in Europe, North America, the United Arab Emirates, Australia, Hong Kong and Singapore. The Company is funding the working capital needs

of its foreign operations through its U.S. operations. In the future, the Company plans to utilize its foreign undistributed earnings, as well as continued funding from its U.S. operations, to support its continued foreign investment.

For the year ended December 31, 2021, the Company had no balance in its reserve for unrecognized tax benefits. The balances for net unrecognized tax benefits for the years ended December 31, 2020 and 2019 were immaterial. The Company recorded immaterial amounts for interest and penalties to tax expense as of December 31, 2020 and 2019, respectively. During 2021, the Company determined that the statute of limitations concluded for specific positions and removed these positions from the uncertain tax positions. The Company continually monitors tax positions and will evaluate if any new positions need to be added during the next twelve months.

The Company closed an income tax audit in Germany for the calendar tax years 2014-2016. No material taxes arose from the audit. The Company files tax returns in the U.S. and various foreign jurisdictions. The Company may be subject to U.S. federal income tax examination for the calendar tax years 2014-2020 and state and foreign income tax examination for various years depending on the statutes of limitation of those jurisdictions.

The following table sets forth the changes to the Company's unrecognized tax benefit for the year ended December 31, 2021, 2020 and 2019 (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 14	\$ 14	\$ 183
Changes based on tax positions related to prior year	—	—	—
Changes due to settlement	(14)	—	(169)
Ending balance	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ 14</u>

The table above has been updated to reflect gross tax liability, exclusive of interest and penalties and other offsetting amounts.

16. Convertible Senior Notes

The Company issued \$143.8 million principal amount of the 2019 Notes in December 2014, \$106.3 million principal amount of the 2047 Notes in June 2017, \$143.8 million principal amount of the 2024 Notes in May 2019 and \$150.0 million principal amount of the 2027 Notes in September 2020. As of December 31, 2021 and 2020, there was no principal amount of either the 2019 Notes or the 2047 Notes outstanding. The interest rate for the 2024 Notes is fixed at 1% per annum and interest is payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2019. The interest rate for the 2027 Notes is fixed at 2.25% per year interest is payable semiannually in arrears in cash on March 15 and September 15 of each year, beginning on March 15, 2021. The effective interest rate related to the amortization of the liability component of the 2024 Notes and the 2027 Notes prior to the adoption of ASU 2020-06 was 6.6% and 8.5%, respectively. The 2024 Notes mature on May 15, 2024 and the 2027 Notes mature on September 15, 2027, unless redeemed or converted in accordance with their terms prior to such date.

Each \$1,000 of principal of the 2024 Notes will initially be convertible into 15.1394 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$66.05 per share. Each \$1,000 of principal of the 2027 Notes will initially be convertible into 23.9137 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$41.82 per share. The initial conversion price for each of the Notes is subject to adjustment upon the occurrence of certain specified events.

The Notes are each general unsecured obligations and rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the Notes, rank equally in right of payment with all of the Company's existing and future liabilities that are not so subordinated, are effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries (including trade payables but excluding intercompany obligations owed to the Company or its subsidiaries).

On or after February 15, 2024 and June 15, 2027, respectively, to the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2024 and 2027 Notes, respectively, regardless of the contingent conversion conditions described herein. Upon conversion, the Company will pay or deliver cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, as described in the

indenture governing the 2024 and 2027 Notes.

Holders may convert their 2024 and 2027 Notes at their option at any time prior to the close of business on the business day immediately preceding February 15, 2024 and June 15, 2027, respectively, only under the following circumstances:

- during the five consecutive business day period immediately following any five consecutive trading day period (the "Measurement Period") in which the trading price per 2024 and 2027 Note, respectively, for each day of that Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such day;
- during any calendar quarter commencing after the calendar quarter ending on June 30, 2019 and December 31, 2020, respectively, if the last reported sale price of the common stock for 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; or
- upon the occurrence of specified corporate events.

If a fundamental change (as defined in the relevant indenture governing the applicable series of Notes) occurs prior to the maturity date, holders of each of the Notes may require the Company to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount at maturity of the Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date.

In accordance with accounting guidance on embedded conversion features at the time of the Notes issuance, the Company valued and bifurcated the conversion options associated with each of the Notes from the respective host debt instrument, which is referred to as debt discount, and recorded the conversion option of each of the Notes in stockholders' equity at the time of the issuance of the Notes.

Effective January 1, 2021, the Company early adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options and Derivatives and Hedging - Contracts in an Entity's Own Equity*. Upon adoption of the new standard, the Company removed the debt discount and adjusted the debt issuance cost which was previously allocated between the liability and the equity component, resulting in an increase of \$68.8 million to convertible debt, net. In addition, the Company recorded a reduction to additional paid-in capital of \$80.1 million related to the equity conversion component of the outstanding convertible notes which was previously separated and recorded in equity. The net cumulative impact of the adoption of the standard was recorded as a decrease to accumulated deficit.

In May 2019, in accordance with the Exchange Transactions, the Company used a portion of the net proceeds of the offering of the 2024 Notes to exchange and retire approximately \$122.1 million in aggregate principal of the 2019 Notes for an aggregate cash consideration of \$76.0 million and approximately 2.2 million shares of the Company's common stock. The Company recorded a \$2.3 million loss on debt extinguishment related to the Exchange Transactions. The loss on extinguishment is included in the other (expense) income, net in the Consolidated Statements of Comprehensive Income (Loss). In the fourth quarter of 2019, at maturity, the Company settled the remaining principal of the 2019 Notes in cash and distributed approximately 0.3 million shares of its common stock to the notes holders, which represented the conversion value in excess of the principal amount.

In August 2019, the Company issued a notice of redemption to the holders of its outstanding 2047 Notes and during the third and fourth quarter of 2019, the Company converted the entire aggregate principal of \$106.3 million of the 2047 Notes and delivered approximately 2.3 million shares of its common stock upon conversion. The Company recorded a \$3.4 million loss on debt extinguishment related to the Redemption. The loss on extinguishment is included in the other (expense) income, net in the Consolidated Statements of Comprehensive Income (Loss).

As of December 31, 2021, the 2024 and 2027 Notes are not yet convertible, and their remaining life is approximately 28 months and 68 months, respectively.

As of December 31, 2021 and 2020, the fair value of the principal amount of the Notes was \$299.4 million and \$363.8 million, respectively. The estimated fair value was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including the Company's stock price and interest rates, which represents level 2 in the fair value hierarchy.

The Notes consist of the following (in thousands):

	December 31, 2021	December 31, 2020
Liability component:		
Principal	\$ 293,750	\$ 293,750
Less: debt discount and issuance cost, net of amortization	(5,463)	(75,722)
Net carrying amount	<u>\$ 288,287</u>	<u>\$ 218,028</u>
Equity component ⁽¹⁾		
	<u>\$ —</u>	<u>\$ 80,098</u>

(1) Recorded within additional paid-in capital in the Consolidated Balance Sheet. As of December 31, 2020, it included \$32.9 million and \$47.2 million related to the 2024 Notes and 2027 Notes, respectively, net of \$1.1 million and \$1.3 million issuance cost in equity.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Coupon	\$ 4,813	\$ 2,422	\$ 3,691
Amortization of debt issuance costs	1,491	733	1,157
Amortization of debt discount	—	7,970	9,917
Total	<u>\$ 6,304</u>	<u>\$ 11,125</u>	<u>\$ 14,765</u>

Note Hedge and Warrant Transactions

Concurrently with the offering of the 2019 Notes, the Company entered into separate convertible note hedge (the "Note Hedges") and warrant (the "Warrants") transactions. Taken together, the purchase of the Note Hedges and the sale of the Warrants were intended to offset any actual dilution from the conversion of the 2019 Notes and to effectively increase the overall conversion price of the 2019 Notes from \$33.79 to \$45.48 per share. The total cost of the Note Hedges was \$29.4 million. The Company received \$17.1 million in cash proceeds from the sale of the Warrants. The Warrants were not part of the 2019 Notes or Note Hedges. Both the Note Hedges and Warrants have been accounted for as part of additional paid-in capital.

In May 2019, in connection with the Exchange Transactions, the Company entered into certain note hedge termination agreements (the "Note Hedge Termination Agreements") and warrant termination agreements (the "Warrant Termination Agreements"). The Note Hedge Termination Agreements terminated certain of the Note Hedges, and the Warrant Termination Agreements terminated certain of the Warrants. The Company received cash proceeds of \$64.8 million related to the Note Hedge Termination Agreements, and paid \$45.2 million related to the Warrant Termination Agreements.

During the fourth quarter 2019, the Company received approximately 0.3 million shares of its common stock from the exercise of the remaining Note Hedges related to the 2019 Notes. These shares were recorded as treasury stock, at cost. The remaining warrants expired in August 2020.

Capped Call Transactions

In May 2019 and in September 2020, in connection with the offering of the 2024 and 2027 Notes, respectively, the Company entered into privately negotiated capped call transactions (collectively, the "Capped Call") with certain option counterparties. The Capped Call transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock initially underlying the Notes, at a strike price that corresponds to the initial conversion price of the Notes, also subject to adjustment, and are exercisable upon conversion of the Notes. The Capped Call transactions are intended to reduce potential dilution to the Company's common stock and/or offset any cash payments the Company will be required to make in excess of the principal amounts upon any conversion of Notes, and to effectively increase the overall conversion price of the 2024 Notes from \$66.05 to \$101.62 per share and for the 2027 Notes from \$41.82 to \$78.90 per share. As the Capped Call transactions meet certain accounting criteria, they are recorded in stockholders' equity and are not accounted for as derivatives. The cost of the Capped Call was \$16.4 million and \$25.3 million for the 2024 and 2027 Notes, respectively, and was recorded as part of additional paid-in capital.

17. Credit Facility

In July 2012, the Company, through its wholly owned subsidiary PROS, Inc., entered into a secured Revolver with a bank lender with a borrowing capacity of up to \$50 million, with interest paid at the end of the applicable one month, three month or six month interest period at a rate per annum equal to LIBOR plus an applicable margin of 1.5% to 2.25% or the Federal Funds Rate plus an applicable margin of 1.5% to 2.25%. As of December 31, 2021, the Company had no outstanding borrowings under the Revolver, which expires in March 2022.

Borrowings under the Revolver are collateralized by a first priority interest in and lien on all of the Company's material assets. The Revolver contains affirmative and negative covenants, including covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in certain other transactions, in each case subject to certain exclusions. In addition, the Revolver contains certain financial covenants which become effective in the event the Company's liquidity falls below \$50 million or upon the occurrence of an event of default. As of December 31, 2021, the Company was in compliance with all financial covenants in the Revolver.

As of both December 31, 2021 and 2020, \$0.1 million of unamortized debt issuance costs related to the Revolver is included in prepaid and other current assets and other assets, noncurrent in the Consolidated Balance Sheets. For the years ended December 31, 2021, 2020 and 2019, the Company recorded an immaterial amount of amortization of debt issuance cost which is included in other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss).

18. Commitments and Contingencies

Litigation

The Company is involved in various legal proceedings, claims and litigation which arise in the ordinary course of the business. The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. The Company is not currently involved in any outstanding litigation that it believes, individually or in the aggregate, will have a material adverse effect on its business, financial condition, results of operations or cash flows.

Purchase Commitments

In the ordinary course of business, the Company enters into various purchase commitments for goods and services.

In November 2021, the Company entered into a noncancelable agreement with a computing infrastructure vendor that amended the existing agreement dated March 2019. The amended agreement has purchase commitments of \$175 million remaining as of December 31, 2021, and expires in November 2026.

In July 2021, the Company entered into a noncancelable agreement for data subscription services with a five-year term. The purchase commitment as of December 31, 2021 was \$4.6 million and the agreement expires in June 2026.

Indemnification

The Company's software agreements generally include certain provisions for indemnifying customers against liabilities if the Company's software solutions infringe a third party's intellectual property rights. To date, the Company has not incurred any losses as a result of such indemnifications and has not accrued any liabilities related to such obligations in the Company's Consolidated Financial Statements.

19. Segment and Geographic Information

The Company operates as one segment with a single reporting unit. Operating segments are the components of an enterprise where separate financial information is evaluated regularly by the chief operating decision-maker, who is the Company's Chief Executive Officer, in deciding how to allocate resources and assessing financial performance. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue by Geography

The Company presents financial information on a consolidated basis and does not assess the profitability of its geographic regions. Accordingly, the Company does not attempt to comprehensively assign or allocate costs to these regions and does not produce reports for, or measure the performance of, its geographic regions based on any asset-based metrics.

International revenue for the years ended December 31, 2021, 2020 and 2019, amounted to approximately \$162.5 million, \$170.1 million and \$164.4 million, respectively, representing 65%, 67% and 66%, respectively, of annual revenue.

The following geographic information is presented for the years ended December 31, 2021, 2020 and 2019. The Company categorizes geographic revenues based on the location of the customer’s headquarters.

	Year Ended December 31,					
	2021		2020		2019	
	Revenue	Percent	Revenue	Percent	Revenue	Percent
The Americas:						
United States of America	\$ 88,892	35 %	\$ 82,299	32 %	\$ 85,963	34 %
Other	21,349	9 %	25,123	10 %	29,129	12 %
Subtotal	110,241	44 %	107,422	42 %	115,092	46 %
Europe	76,484	30 %	74,936	30 %	73,914	30 %
Asia Pacific	41,234	16 %	47,416	19 %	43,908	18 %
The Middle East	21,962	9 %	21,825	9 %	16,170	6 %
Africa	1,502	1 %	825	— %	1,250	— %
Total revenue	<u>\$ 251,423</u>	100 %	<u>\$ 252,424</u>	100 %	<u>\$ 250,334</u>	100 %

20. Concentrations of Credit Risk

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and trade accounts receivable. The Company's deposits exceed federally insured limits. For the year ended December 31, 2021, no customer accounted for 10% or more of trade accounts receivables. For the years ended December 31, 2021, 2020 and 2019, no single customer accounted for 10% or more of revenue.

21. Related-Party Transactions

The Company currently has employment agreements with its executive officers. In the event of termination of employment other than for cause, the employment agreements provide separation benefits, including twelve to eighteen months of salary, as well as the vesting of certain equity awards.

22. Employee Retirement Savings Plan

The Company has a 401(k) savings plan for all eligible employees in the United States. Historically, the Company’s matching contribution has been 50% of the first 6% of employee contributions, and the Company may also make discretionary contributions. As of January 1, 2020, the Company increased the matching contributions to be 50% of the first 8% of employee contributions and the Company may also make discretionary contributions. Matching contributions by the Company in 2021, 2020 and 2019 totaled approximately \$3.5 million, \$4.3 million and \$2.5 million, respectively.

Schedule II
Valuation and Qualifying Accounts

	Balance at beginning of period	Additions charged to costs and expenses	Deductions (1)	Other (2)	Balance at end of period
Allowance for doubtful accounts					
2021	\$ 4,122	\$ 161	\$ (3,077)	\$ —	\$ 1,206
2020	\$ 214	\$ 5,870	\$ (1,962)	\$ —	\$ 4,122
2019	\$ 978	\$ —	\$ (760)	\$ (4)	\$ 214
Valuation allowance					
2021	\$ 130,733	\$ 16,649	\$ —	\$ (550)	\$ 146,832
2020	\$ 106,476	\$ 24,375	\$ —	\$ (118)	\$ 130,733
2019	\$ 94,231	\$ 12,404	\$ —	\$ (159)	\$ 106,476

(1) Deductions column represents the reversal of additions previously charged to costs and expenses and uncollectible accounts written off, net of recoveries.

(2) Other column represents the cumulative translation adjustment impact on the allowance.

Exhibit Index

Exhibit No.	Description	Provided Herewith	Incorporated by Reference	
			Form	Filing Date
2.1	Agreement and Plan of Merger dated as of November 30, 2021		8-K	11/30/2021
3.1	Amended and Restated Certificate of Incorporation.		S-1/A	6/15/2007
3.2	Amended and Restated Bylaws.		8-K	4/29/2020
4.1	Specimen certificate for shares of common stock.		S-1/A	6/11/2007
4.2	Indenture, dated May 7, 2019 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	5/7/2019
4.3	Global Note, dated May 7, 2019 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	5/7/2019
4.4	Indenture, dated September 15, 2020 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	9/16/2020
4.5	Global Note, dated September 15, 2020 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	9/16/2020
4.6	Description of Registered Securities.		10-K	2/19/2020
10.1+	Amended and Restated 2017 Equity Incentive Plan, as amended.		DEF-14A	4/2/2021
10.2+	Form of Notice of Grant of Market Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2021).		10-K	2/12/2021
10.3+	Form of Notice of Grant of Market Stock Units and Award Agreement under the 2017 Equity Incentive Plan.		10-Q	8/3/2017
10.4+	Form of Notice of Grant of Stock Option and Award Agreement under the 2017 Equity Incentive Plan.		10-Q	8/3/2017
10.5+	Form of Notice of Grant of Performance Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan.		10-Q	8/3/2017
10.6+	Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan.		10-Q	8/3/2017
10.7+	Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2021).		10-K	2/12/2021
10.8+	Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2022)	X		
10.9+	Form of Notice of Grant of Stock Appreciation Rights and Award Agreement under the 2017 Equity Incentive Plan.		10-Q	8/3/2017
10.10+	Form of Performance Restricted Stock Unit Agreement.		8-K	1/18/2019
10.11+	2013 Employee Stock Purchase Plan, as amended.		DEF-14A	4/2/2021
10.12	Office Lease Agreement, dated November 30, 2018, by and between PROS, Inc., and Thor Kirby 3 Group, LLC.		8-K	12/4/2018
10.13+	Second Amended and Restated Employment Agreement, dated December 3, 2018, by and between PROS, Inc., Registrant, and Andres D. Reiner.		8-K	12/4/2018
10.14+	Amended and Restated Employment Agreement, dated December 3, 2018, by and between PROS, Inc., Registrant, and Stefan B. Schulz.		8-K	12/4/2018
10.15+	Employment Agreement, dated as of May 13, 2020, by and between PROS Canada Operations, Ltd., PROS Holdings, Inc. and Les Rechan		8-K	5/13/2020
10.16+	Amended and Restated Employment Agreement, dated as of November 7, 2019, by and between PROS, Inc., PROS Holdings, Inc. and Roberto Reiner.		8-K	11/8/2019

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10.17+	Form of Indemnification Agreement to be entered into among Registrant, its affiliates and its directors and officers.	10-K	2/15/2017
10.18	Credit Agreement, dated July 2, 2012, by and among PROS, Inc., Wells Fargo Bank, National Association, as administrative agent, and the Lenders party thereto.	8-K	7/9/2012
10.18.1	Tenth Amendment to Credit Agreement, dated April 30, 2019, by and among PROS, Inc., Wells Fargo Bank, National Association, as administrative agent, and the Lenders party thereto.	8-K	5/2/2019
10.18.2	Waiver, Consent and Eleventh Amendment to Credit Agreement, dated July 15, 2019, by and among PROS, Inc., Wells Fargo Bank, National Association, as administrative agent, and the Lenders party thereto.	10-K	2/12/2021
10.18.3	Twelfth Amendment to Credit Agreement, dated November 1, 2019, by and among PROS, Inc., Wells Fargo Bank, National Association, as administrative agent, and the Lenders party thereto.	10-K	2/12/2021
10.18.4	Thirteenth Amendment to Credit Agreement, dated January 11, 2021, by and among PROS, Inc., Wells Fargo Bank, National Association, as administrative agent, and the Lenders party thereto.	10-K	2/12/2021
10.19	Form of Base Capped Call Confirmation.	8-K	5/7/2019
10.20	Form of Additional Capped Call Confirmation.	8-K	5/7/2019
10.21	Form of Base Capped Call Confirmation.	8-K	9/16/2020
21.1	List of Subsidiaries.	X	
23.1	Consent of PricewaterhouseCoopers LLP.	X	
24.1*	Power of Attorney.	X	
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).	X	
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/ 15d-14(a).	X	
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.	X	

Exhibit No.	Description
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101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Reference is made to page F-39 of this Annual Report on Form 10-K.

** This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, or otherwise subject to the liability of that Section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

+ Indicates a management contract or compensatory plan or arrangement.

Item 16. *Form 10-K summary*

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Registrant has elected not to include such summary information.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 18, 2022.

PROS Holdings, Inc.

By: /s/ Andres Reiner

Andres Reiner

President and Chief Executive Officer

KNOW BY THESE PRESENT, that each person whose signature appears below constitutes and appoints each of Andres Reiner and Stefan Schulz, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of the attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Andres Reiner</u> Andres Reiner	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 18, 2022
<u>/s/ Stefan Schulz</u> Stefan Schulz	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 18, 2022
<u>/s/ Scott Cook</u> Scott Cook	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 18, 2022
<u>/s/ William Russell</u> William Russell	Chairman of the Board	February 18, 2022
<u>/s/ Carlos Dominguez</u> Carlos Dominguez	Director	February 18, 2022
<u>/s/ Raja Hammoud</u> Raja Hammoud	Director	February 18, 2022
<u>/s/ Leland T. Jourdan</u> Leland T. Jourdan	Director	February 18, 2022
<u>/s/ Catherine Lesjak</u> Catherine Lesjak	Director	February 18, 2022
<u>/s/ Greg B. Petersen</u> Greg B. Petersen	Director	February 18, 2022
<u>/s/ Timothy V. Williams</u> Timothy V. Williams	Director	February 18, 2022
<u>/s/ Mariette M. Woestemeyer</u> Mariette M. Woestemeyer	Director	February 18, 2022



Corporate Information

EXECUTIVE OFFICERS

Andres D. Reiner

President, Chief Executive Officer and Director

Stefan B. Schulz

Executive Vice President and Chief Financial Officer

For additional listing of PROS senior management, visit: <https://pros.com/about-pros/leadership-team/>

BOARD OF DIRECTORS

William Russell (2) (3)

Non-Executive Chairman

Andres D. Reiner

President, Chief Executive Officer and Director

Carlos Dominguez (1)

Director

Catherine Lesjak (1) (3)

Director

Raja Hammoud (2)

Director

Greg B. Petersen (1) (2)

Director

Leland Jourdan (2)

Director

Timothy V. Williams (1) (3)

Director

Mariette M. Woestemeyer

Director and Co-Founder

1 Audit Committee

2 Compensation and Leadership Development Committee

3 Nominating and Corporate Governance Committee

Blue Designates Chairperson



Stockholder Information

CORPORATE OFFICES

PROS Holdings, Inc.
3200 Kirby Dr., Suite 600
Houston, TX 77098
713.335.5151
www.PROS.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Pricewaterhouse Coopers, LLP
488 Almaden Boulevard, Suite 1800
San Jose, CA 95110
408.817.3700
www.pwc.com

COMMON STOCK LISTING

Our Common Stock is traded on the New York Stock Exchange under the symbol “**PRO**”.

ANNUAL MEETING

Our 2022 annual stockholders meeting will be held virtually at 8:00 a.m. Central Daylight Time on Thursday, May 12, 2022. Attend by accessing: www.virtualshareholdermeeting.com/PRO2022 Only stockholders of record at the close of business on March 22, 2022 will be entitled to vote at the annual meeting.

TRANSFER AGENT AND REGISTRAR

Stockholders with inquiries regarding address corrections, lost certificates or changes in registered ownership should contact our stock transfer agent:

Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717
www.shareholder.broadridge.com/bcis

CONTACTS

Investor Relations
713.335.5151
IR@PROS.com



2021 **ANNUAL REPORT**

About PROS

PROS Holdings, Inc. (NYSE: PRO) is a market-leading provider of SaaS solutions that optimize shopping and selling experiences. Built on the PROS Platform, these intelligent solutions leverage business AI, intuitive user experiences and process automation to deliver frictionless, personalized purchasing experiences designed to meet the real-time demands of today's B2B and B2C omnichannel shoppers, regardless of industry.

To learn more, visit pros.com.

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