



FISCAL YEAR 2025 ANNUAL REPORT

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2025

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: 001-39413

VERTEX, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
2301 Renaissance Blvd
King of Prussia, Pennsylvania
(Address of principal executive offices)

23-2081753
(I.R.S. Employer
Identification No.)
19406

(Zip Code)

Registrant's telephone number, including area code: (800) 355-3500

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

| Title of each class | Trading symbol | Name of each exchange on which registered |
|---|----------------|---|
| Class A Common Stock, Par Value \$0.001 Per Share | VERX | NASDAQ |

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 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|-------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Small 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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of Vertex, Inc. as of June 30, 2025, totaled approximately \$2,551,796,149. Such value excludes common stock held by executive officers, directors and 10% or greater stockholders as of June 30, 2025. The identification of 10% or greater stockholders as of June 30, 2025, is based on Schedule 13G and amended Schedule 13G reports publicly filed before June 30, 2025. This calculation does not reflect a determination that such parties are affiliates for any other purposes.

As of February 19, 2026, the registrant had 77,801,253 shares of Class A common stock, \$0.001 par value per share, and 82,155,641 shares of Class B common stock, \$0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement relating to the 2026 Annual Meeting of Shareholders, are incorporated by reference into Part III of this report. The Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2025.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. We intend such forward looking statements to be covered by the safe harbor provision for forward looking statements contained in 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 made in this Annual Report on Form 10-K that are not statements of historical fact, including statements about our beliefs and expectations and regarding future events or our future results of operations, financial condition, business, strategies, financial needs, the plans and objectives of management, and our stock repurchase program are forward-looking statements and should be evaluated as such. These statements often include words such as “anticipate,” “believe,” “expect,” “suggests,” “plans,” “intend,” “estimates,” “targets,” “projects,” “should,” “could,” “would,” “may,” “will,” “forecast,” and other similar expressions or the negatives of those terms. We base these forward-looking statements on our current expectations, plans, and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances at such time. As you read and consider this Annual Report on Form 10-K, you should understand that these statements are not guarantees of future performance or results. The forward-looking statements are subject to and involve risks, uncertainties and assumptions, and you should not place undue reliance on these forward-looking statements. Although we believe that these forward-looking statements are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements.

You should not place undue reliance on our forward-looking statements, and you should not rely on forward-looking statements as predictions of future events. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements. The forward-looking statements made in this Annual Report on Form 10-K speak only as of the date of this report. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, except as required by law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

PART I

Throughout this Annual Report on Form 10-K, Vertex, Inc. and its subsidiaries together are called “Vertex,” “the Company,” “we,” “us,” or “our,” unless otherwise noted. References in this Annual Report on Form 10-K to a particular “year,” or “fiscal,” mean our fiscal year, which ends on December 31.

Item 1. Business

Overview

Vertex is a leading provider of enterprise compliance technology for global commerce. Our software, data, and services help businesses operate with confidence by automating and governing transaction-based compliance obligations that arise wherever they buy, sell, and move goods and services around the world.

At the core of global commerce are transaction-based regulatory requirements that must be calculated, documented, reported, and, in many cases, digitally transmitted to tax authorities in real time. Indirect taxes—such as sales tax, use tax, and value-added tax (“VAT”)—represent a significant portion of these obligations. Unlike direct taxes, which are paid directly by the entity being taxed, indirect taxes are collected from a purchaser and remitted to taxing authorities by the seller or service provider as part of each transaction.

These obligations are inherently complex and pervasive. In the United States alone, indirect tax rules vary across more than 20,000 unique taxing jurisdictions, each with its own rates, rules, and reporting requirements. Globally, the complexity is compounded by continuously changing regulations, increasing enforcement, and the growing adoption of digital and real-time compliance mandates. For companies operating across multiple jurisdictions, compliance is not an isolated, periodic activity—it is a requirement embedded in virtually every sale or purchase transaction they execute each day.

Vertex helps enterprises manage this complexity by embedding compliance automation directly into the systems and workflows that drive global commerce. Our platform enables customers to determine transaction-level obligations, manage compliance data, support invoicing and reporting requirements, and maintain audit-ready records across jurisdictions. By reducing friction, enhancing transparency, and improving control, Vertex helps customers mitigate the risk of non-compliance while supporting business growth and operational scalability.

The pace of change in global business, technology, and regulatory environments continues to increase. As companies expand into new geographies, adopt new distribution and eCommerce models, introduce digital products and services, and modernize their technology stacks, their exposure to transaction-based compliance obligations grows significantly. At the same time, governments are increasingly implementing new tax rules and digital reporting requirements to improve transparency and enforcement. These dynamics demand intelligent, scalable solutions that allow businesses to satisfy regulatory obligations while continuing to innovate and grow.

Vertex has pioneered tax and compliance technology for more than 45 years. Today, we serve over 4,800 direct customers, including the majority of the Fortune 500, and support compliance operations in more than 195 countries and territories. Our software delivers capabilities across transaction determination, compliance and reporting, tax data and document management, and analytics and insights, supported by deep integrations with the core enterprise applications that power global commerce. Our platform is fueled by more than one billion data-driven tax rates and rules and supports compliance across more than 20,000 jurisdictions worldwide. Vertex solutions can be deployed in cloud and hybrid environments, with implementation and professional services available to support our customers’ unique business and operational requirements.

Our Solutions

Vertex’s solutions help enterprises automate and govern transaction-based compliance across global commerce. Our platform supports the full lifecycle of indirect tax obligations, including transaction determination, digital invoicing and reporting requirements, compliance and returns, tax data and document management, and analytics and insights, all supported by pre-built integrations to leading enterprise business applications. Customers can deploy these capabilities individually or as an integrated suite on the Vertex cloud platform, or select deployment models that align with their broader enterprise technology environments.

Tax Determination Solutions

Tax Calculation. The increasing complexity of global regulations, cross-border trade, and jurisdictional differences has made accurate tax determination a cornerstone of compliance. Our tax determination solutions enable real-time calculation of indirect taxes and applicable fees for sale and purchase transactions. Our solution includes a powerful indirect tax calculation engine that applies rules-based logic from our proprietary content database to determine taxability, identify precise taxing jurisdictions, and consistently apply the appropriate amount of tax to each transaction in real-time. Our solution supports determination for sales tax, consumer and seller use tax, VAT, communications tax, leasing tax, payroll tax, and lodging and occupancy tax, as well as a growing set of transaction-based fees imposed by various jurisdictions. With local rules and logic to ensure compliance globally, our tax engine is built to handle thousands of product stock keeping units (“SKUs”) and services across a wide range of industries and business models.

Vertex AI. Vertex AI powers intelligence across the Vertex platform to help customers operate more efficiently, reduce risk, and improve decision-making across the compliance lifecycle. Embedded directly into transaction, configuration, and compliance workflows, Vertex AI is designed to automate routine work, surface relevant insights earlier, and guide users toward better outcomes with less manual effort. By learning from patterns across tax data, content changes, and customer activity, Vertex AI helps tax teams scale their operations, respond more quickly to regulatory change, and focus their expertise where it matters most.

Vertex AI operates across the full compliance lifecycle, supporting activities such as transaction determination, tax content interpretation, configuration management, and ongoing monitoring. Rather than requiring customers to adopt separate tools or processes, Vertex AI is integrated into the Vertex cloud platform to enhance existing workflows—automating tasks, identifying potential risks or changes that may impact tax outcomes, and delivering recommendations tailored to specific roles, tasks, or business contexts.

Vertex’s AI capabilities include intelligent assistance for tax professionals, automated analysis of tax content changes to identify potential impacts to product taxability or configuration, and natural-language driven tools that simplify the creation and management of tax rules. Together, these capabilities are designed to reduce manual effort, improve consistency, and help customers maintain compliance in an environment of constantly changing regulations.

In addition to platform-embedded AI capabilities, in 2025, Vertex launched Smart Categorization, an AI-powered solution designed to reduce the manual effort required to map product SKUs to the correct tax categories across jurisdictions. Smart Categorization helps retail tax teams improve accuracy and efficiency by learning from historical classification patterns and applying them consistently at scale, reducing the time and resources required to maintain product taxability mappings as catalogs and regulations change.

Pre-Built Integrations. Our solutions are supported by a suite of powerful, pre-built integrations that enable real-time coordination between our solutions and major business applications, such as Adobe/Magento, Coupa, Microsoft Dynamics, NetSuite, Oracle, Salesforce, SAP, SAP Ariba, Shopify, Workday, and Zuora, among many others. Much more than traditional application programming interfaces, our integrations include mapping data fields, business logic and configurations to improve the processing of transactions to and from our solutions. The majority of our integrations are designed, tested, and supported by us. We also allow for partner-developed integrations as part of a rigorous certification program.

Industry-Specific Solutions. We offer a range of solutions that support certain industries that have specific indirect tax needs, such as retail, communications, and leasing. For example, our retail solution supports omnichannel transactions spanning store kiosks, eCommerce websites, catalog sales, and mobile device transactions. Our communications solution supports the determination of taxes, surcharges, and fees affecting U.S. providers of communication services, including wireless, voice-over-IP, satellite, internet, and video and audio streaming services. We have pre-built integrations specific to the leading providers of business applications used in these industries.

Technology Specific Solutions – Chain Flow Accelerator, SAP-specific tools. We offer a number of technology solutions that offer tools and enhancements to certain ecosystems, like SAP or Oracle, which are deeply integrated into their technology stack. For example, our Chain Flow Accelerator tool allows configuration of tax specific flows within the SAP stack. In addition, we offer an SAP specific tool set that provides customers the ability to maintain, analyze, and validate tax data in procure-to-pay as well as sales and billing systems that enhance its usefulness for indirect taxes as well as other business applications.

Document Management. Our document management solutions automate the validation and storage of, and tax audit support for, sales tax exemptions and reseller certificates, enabling enterprises to manage large quantities of documents, such as tax exemption certificates, to ensure accurate tax determination.

Compliance and Reporting Solutions

Returns and Filings. Our global compliance and reporting solutions enable the automation of signature-ready returns and remittance of indirect tax to appropriate jurisdictions. Companies use these solutions to leverage tax data files imported from Vertex or third-party applications to establish visible audit trails of tax determinations and user-made adjustments. Our solutions also include workflow management tools, such as calendar and document management, and role-based security and event logging, which supports our customers' internal control over financial reporting and compliance with the Sarbanes-Oxley Act of 2002. We support e-filing and print formats for returns, schedules, worksheets, tax reports and payment requests, and provide archiving and retrieval of all filings. Our returns automation solution for sales and use tax, VAT, and goods and services tax simplify recurring compliance requirements, reducing manual effort and ensuring accurate filings and remittance across geographies. These solutions also enable a unified view of real-time reporting and periodic returns for one-click reconciliation across every country where business is transacted.

E-invoicing. As governments accelerate digitization, compliance is increasingly shifting from periodic reporting toward structured, transaction-level oversight. We offer a global solution which delivers a unified foundation for e-invoicing and digital compliance that continuously evolves alongside regulatory changes, positioning enterprises to scale confidently as enforcement models advance enterprises to operationalize e-invoicing at global scale while strengthening control over structured transaction data across regulatory and business ecosystems. Our platform supports the end-to-end lifecycle of compliant electronic invoices from creation and data enrichment through validation, submission, and clearance, where required, in accordance with jurisdictional mandates. Our platform is designed to address a wide spectrum of government frameworks, support clearance, continuous transaction controls, digital reporting, and hybrid models by enabling the accurate flow of structured invoice data between enterprises, tax authorities, and trading partners. Beyond core invoicing processes, we facilitate the exchange and governance of structured business documents that accompany commercial transactions, helping organizations standardize data, streamline partner connectivity, and reduce manual intervention across financial workflows. The solution integrates with leading ERP and financial systems and supports localized formats, connectivity protocols, and exchange mechanisms required to operate across diverse compliance environments. Our solution currently operates within 38 countries and is actively expanding into new jurisdictions as regulations change. In 2025, we also partnered with NITIS SAS ("Brinta") to accelerate and expand our compliance and e-invoicing capabilities in Latin America.

Audit and Planning Solutions

Tax Data Management. Our tax data management tools enable enterprises to unify transaction data from multiple business applications and sources. These solutions enable tax teams to view detailed transaction-level tax data, identify anomalies or errors, and establish necessary rules to address gaps in data and audit logs for any adjustments or corrections that have been made.

Analytics and Insights. Our analytics and insights tools improve data quality and provide data intelligence to optimize the end-to-end tax process and improve business outcomes.

Services Solutions

Implementation Services. Due to the ubiquitous nature of our software in our customers' technology environments, we also offer implementation services to enable our customers to realize the full benefit of our solution at initial deployment. These software implementation services include configuration, data migration and implementation, and premium support and training.

Managed Services. Customers can also license indirect tax returns outsourcing as a managed service for compliance in the U.S. and Canada. These managed services include indirect tax return preparation, filing and tax payment, and notice management.

Our Tax Content

All our software and solutions are underpinned by our proprietary content database, which currently supports over a billion effective tax rules. Our content quality and accuracy are key components of our software subscriptions revenue and customer value and are supported by over 45 years of tax knowledge and experience. Our content quality and accuracy are critical to the longevity of our customer relationships. On a monthly basis, our content team combines legislative research, analysis, technical logic, and automation to embed updated rules into our software. Unlike many enterprise software solutions where maintenance and support are focused solely on periodic technology upgrades, our monthly updates are a critical element of allowing our customers to ensure that they are utilizing the latest tax changes to accurately calculate their indirect taxes.

Our Technology

Our software and solutions are built upon a robust set of technology capabilities designed for the flexibility, configurability, speed, and scale to handle complex tax scenarios and processing volumes, and interoperability across core business applications.

- **Platform Approach To Cloud Solution.** Vertex Cloud is a cloud-native platform that orchestrates compliance at scale, enabling end-to-end orchestration of tax workflows with unified, tax-ready data and purpose-built AI to drive greater efficiency, a connected user experience, and real-time insights. This unified data model reduces variability and creates consistent data structures—critical prerequisites for enhanced workflow automation—through AI-driven classification, prediction, and decision support.
- **AI Orchestration.** Vertex AI is a natural evolution from Vertex Cloud, extending the platform’s cloud native orchestration with intelligence that adapts to complex scenarios, identifies exceptions, and enables a new system of action. By building on the multitenant cloud foundation, Vertex AI features benefit from shared data models, unified interfaces, and cross application consistency making AI outputs more reliable and easier for customers to adopt at scale. Vertex AI is an accelerator for operational efficiency. By reducing manual steps in processes like configuration, filing, and reporting, AI increases throughput, improves accuracy, and mitigates risk, by identifying anomalies. Vertex AI enables platform-wide intelligence, rather than only point solutions and is embedded across the entire compliance and tax lifecycle, automating workflows, learning from patterns, detecting risks earlier, and tailoring recommendations to outcome or task specific contexts.
- **Real-Time Engine.** Our real-time engine determines the appropriate tax rules to apply to a line item in a transaction through a sequence of real-time processes that combine tax algorithms and tax content with transaction line-item level detail. Combining tax content stored as structured data with sequencing and decision tree logic results in one or more individual tax rules that are applied to each line item in a transaction. This is built within memory and cached for performance. The in-memory processes of the core calculation engine are tuned to accommodate high-volume and complex transactions at speed and scale.
- **Configuration.** Our solutions are built to be highly configurable. Through our graphical user interfaces, users can configure and map their taxability to ensure the correct tax rules are executed. Our flexibility in configuration also extends to users who can create their own taxability rules, as appropriate. These user-defined taxability rules act as an override, providing flexibility to ensure that non-standard tax scenarios and processes can be addressed. Additionally, users can augment transactions entering and exiting the engine by building their own logic through our drag-and-drop experience. This logic is saved to then execute within the engine.
- **Tax Geography.** Accuracy in determining the appropriate taxation of a transaction depends on many factors, including detailed location information for where a transaction is occurring. We designed and created a proprietary solution for tax jurisdiction identification that leverages industry geographic information system tools and geospatial data. With our proprietary technology we are able to create and map multiple tax jurisdictions for a particular location and assign a unique identifier to each location so that it can be used by the engine to allow for higher accuracy. This technology is highly relevant to emerging economic shifts, such as the sharing economy, where the physical nexus of transactions is unclear, such as ride-sharing services.

- **Security.** Our application security framework allows our customers to define how users can interact with sensitive enterprise data and how they are authorized to use certain aspects of our software. Users are mapped to a set of predefined roles, and we provide our customers with the ability to create user-defined roles. User-defined role-based access can be defined on a screen-by-screen level and further refined with read and/or write privileges.
- **Cloud Solutions.** We provide cloud services from six geographically separate data centers located on two continents: North America and Europe. The data centers are paired for failover of operations to an alternate, geographically separate production facility in case any single data center becomes unavailable. All data centers are operated by leading vendors providing physical security, internet access, environmental controls, and data retention services.

Our Customers

Today, we serve a large, diverse, and growing global customer base. Our market leadership in key industries can be demonstrated by our relationships with many of the largest and most well-known companies in retail trade, wholesale trade, and manufacturing. Our customers include the majority of the Fortune 500, as well as a majority of the top 10 companies by revenue in industries such as retail, technology, and manufacturing, in addition to leading digital marketplaces. Our customer base also includes many of Europe’s largest companies in the industrial and chemical manufacturing, pharmaceutical, medical device and metals and mining industries. Many of these companies have highly distributed global supply chains and distribution networks, which create complexity in managing cross-border taxation and country-specific compliance and reporting mandates. We have significant expansion opportunities with our customers, driven by our growing product portfolio and geographic coverage.

A distinct and growing subset of our customer base includes digital marketplaces and various professional service providers, including accounting firms and outsourcing firms. Our robust technology and deep tax content differentiate us in our ability to serve the indirect tax needs of 9 of the top 10 E-commerce sites in the U.S. These customers support tens of thousands of merchants who rely on their platform for their eCommerce transaction processing. We also support service providers such as outsourcing and accounting firms who use our technology to calculate tax and file tax returns for their end-customers. While we include these marketplaces and service providers in our customer counts, the tens of thousands of their end-user customers are not included in our customer counts.

As of December 31, 2025, we had 4,867 direct customers and our Annual Recurring Revenue (“ARR”) per customer was \$137,867. While most of our revenue is currently generated by customers domiciled in the U.S., many of our customers are multinational organizations with global business operations. We also provide tax software solutions outside the U.S., primarily in Canada and Europe. For the years ended December 31, 2025 and 2024, approximately 10% and 8%, respectively, of our revenue was generated outside of the U.S. Additionally, no single customer represented more than 10% of our total revenue for the years ended December 31, 2025 or 2024.

Our Growth Strategies

We believe today’s global commerce environment provides durable growth opportunities for our business. Our growth strategies include:

- **Retention and expansion of revenues from existing customers.** The breadth of our solutions allows us to continually meet our customer needs, even as their needs expand in scope. For example, customers initially investing in sales tax determination may need support for other tax types, jurisdictions, and capabilities to manage their indirect tax lifecycle over time. Our continued investments in global compliance and e-invoicing solutions provides additional opportunities for revenue expansion from existing customers. As new and changing e-invoicing mandates proliferate, we believe our customers will continue to adopt our unified, global solution to confidently scale their e-invoicing and compliance operations. As our customers evolve through acquisitions, expand their products and services, enter new geographies, and enhance their distribution channels, we believe their need for our software, services, and content will also grow. We plan to continue to invest in new innovations and enhance our solutions to support the ongoing retention and expansion of revenue from our existing customers. Our flexible, tiered revenue-based pricing model also results in our customers growing their spend with us as they grow and continue to use our solutions.

- **Acquire new customers.** We believe the market for our software and solutions is large and underpenetrated, both in the U.S. and globally. As enterprise and mid-market companies continue to expand their business operations and their tax complexity grows, we expect demand for our solutions to increase among new customers and partners. We also expect these companies to adopt our solutions much earlier in their corporate lifecycle. This adoption is driven by advances in cloud computing and digital commerce, which enable more companies to accelerate new product delivery and scale their business through online marketplaces and emerging commerce platforms. These increases in business complexity necessitate advanced tax solutions for a broader number of companies. We plan to continue to invest in our direct sales, indirect sales, and partnership marketing teams, and our solution development to capture this demand increase and acquire new customers.
- **Broaden and deepen our partner ecosystem.** We integrate with key technology partners that span enterprise resource planning (“ERP”), customer relationship management (“CRM”), procurement, billing, point of sale (“POS”), and eCommerce platforms. Our partners enhance our go-to-market capacity and extend our brand leadership and reach. We leverage our partnerships to maximize the benefits of our solutions for our customers and to identify new growth opportunities. We believe expanding our strategic alliances with emerging participants who are fueling global commerce, such as payment and digital commerce platforms, will create new value for our customers and new sources of revenue. In 2025, we partnered with Kintsugi AI, Inc. (“Kintsugi”), an AI-native startup, to launch Kintsugi powered by Vertex. Kintsugi powered by Vertex is a solution which automates key tax compliance functions for small- and medium-sized businesses in an AI experience built for agility and scale while being powered by the Vertex tax engine that delivers the trusted accuracy and global content enterprises rely on. This partnership is also being leveraged to accelerate our AI innovation and enable lead referrals in the small- and medium-sized business segment.
- **Extend global footprint.** We have a significant opportunity to further expand internationally, in terms of our regional operations, content depth, and go-to-market coverage. We expect to continue to invest in our software and solutions outside of the U.S., most notably in Latin America and Europe. These jurisdictions are among the most complex and the largest international markets for our customers. We have also made significant investments in our own operations in these regions. In Europe and Brazil, for example, we have tailored our go-to-market strategy, enhanced our country-specific content database, and furthered our investment in our global compliance reporting solution. Another example in Europe includes leveraging our recent acquisition of ecosio GmbH (“ecosio”) and our e-invoicing solution to enable companies to stay compliant with current and emerging local VAT regulations, as well as positioning us to expand into new markets as individual country mandates continue to develop. By extending our global footprint, we believe we will also expand account penetration of existing customers with operations around the globe.
- **Sustained investment in new product innovation.** With the pace of change in commerce and compliance, we believe it is important to continue innovating and extending the functionality and breadth of our software and solutions. Our approach to innovation is driven by our relationships with our customers and partners, with whom we create new solutions, align product roadmaps, and embed our software within their applications and platforms. We have also created and invest in an innovation lab where we design, test, and incubate next generation tax solutions and adjacent market opportunities. Over time, we expect such investment will bring additional value to existing customers and help us acquire new customers.

Sales and Marketing

We license our software and solutions primarily through our direct and indirect sales organization, with a focus on enterprise and midmarket businesses that have complex tax operations. Our direct sales team is comprised of inside sales and field sales, supported by our technical pre-sales and services teams. Teams are organized by territory and company size. We also have customer success teams focused on onboarding, usage, retention, renewals, and cross-selling additional products.

Our direct sales force leverages our partnerships with technology providers such as Oracle, SAP, Microsoft, and Salesforce, and a growing network of system integrators to influence and drive growth opportunities. These partnerships can include certified integrations that drive ease of implementation and rapid time-to-value for our joint customers. We leverage our relationships with professional services firms such as Deloitte, PwC, Ernst and Young, and KPMG, as well

as over 45 other accounting and professional services firms to drive tax software adoption in partnership with their tax advisory and tax technology practices.

We also utilize indirect sales to efficiently grow and scale our revenues. Our indirect sales team focuses on building relationships with leading system integrators who implement eCommerce and other platforms, and resellers who offer our software, services, and training to their customer networks. These partnerships allow us to extend our demand generation and market reach efforts. We also extend our reach efficiently through marketplaces and service providers who use our technology to calculate tax and/or file tax returns for their end-customers.

Our marketing investments are focused on establishing and expanding our brand recognition, creating sales leads and growing our customer relationships. We generate sales leads through online and offline marketing channels, including search engine marketing, outbound lead generation, technology events and conferences, and digital marketing programs. Word-of-mouth referrals from our customers, technology partners and consulting firms further scale our market reach. We engage and grow our customer revenues through hosted events, customer advisory boards and user groups, and digital seminars. We extend brand awareness through advertising, press coverage and social media, as well as through sponsorships of industry associations such as Tax Executive Institute, Council on State Taxation, and CPA.com.

Partners

We believe the scale and quality of our ecosystem is unparalleled in the industry, and we are committed to growing it even further. Our partner ecosystem consists of multiple types of partners that provide us access to their customers and clients.

Our continued success is enabled by our seamless integration into customers' business applications, gathering high-quality new customer leads, and collaborating with professional service providers to help our customers solve their specific tax needs. In addition to driving technological innovation and growing our range of solution offerings, expanding our partner ecosystem has been an essential part of our growth.

- **Accounting & Consulting Partners.** We collaborate with over 50 tax, accounting, and consulting firms, which not only complement our global, local, and industry-specific regulatory expertise but also point us towards specific commercial opportunities. Our wide range of offerings and sophisticated technology align with these firms' areas of specialization, enabling organizations to strengthen end-to-end delivery capabilities for a diverse array of clients.
- **Technology Partners.** Our pre-built integrations with key partners including Adobe/Magento, Coupa, Microsoft Dynamics, NetSuite, Oracle, Salesforce, SAP, SAP Ariba, Shopify, Workday, and Zuora, among many others, are key differentiators that enable our customers to seamlessly connect our solutions into their business applications and processes. Our trusted brand reputation has allowed us to be a leading SAP and Oracle tax technology provider, with a relationship spanning many years with these vendors. Our technology software and solutions and highly scalable transaction volume throughput has earned the trust of world-class online marketplaces. These deep partnerships allow us to expand the frontier of tax technology innovation and market opportunity.
- **Channel and Resellers.** We continue to expand our indirect go-to-market reach to capitalize on the significant mid-market growth opportunities. These partners include value-added resellers, service providers and original equipment manufacturer relationships with technology firms, system integrators, tax consultants and industry groups such as Avanade, Acumatica, and CPA.com. These investments enable certification, training, and enablement to deliver rapid time-to-value and scale.

Research and Development

Our research and development team consists of our architecture, software engineering, user experience, infrastructure development operations automation, and technical production support teams. This organization is responsible for the design, development, testing, and delivery of new technologies, features, and integrations of our tax software and solutions, as well as the continued improvement of our existing solutions. It is also responsible for operating and scaling our software and solutions and infrastructure that run in the cloud. We continue to invest in our research and development capabilities with significant focus on emerging technologies such as edge computing, artificial intelligence/machine learning, data

fabric/mesh platforms, blockchain, application programming interface/microservices, and containerization to extend our solutions further into the cloud and partner ecosystems to continuously deliver more value.

Competition

Our industry is highly competitive and fragmented. Businesses employ a mix of approaches to address their indirect tax obligations, including:

- in-house practices and spreadsheets that result in custom transaction-specific research, manual determination, static tax tables, or rate calculator services, as well as manual filing and remittance activities;
- businesses utilizing native ERP capabilities with rudimentary tax determination capabilities, which are typically not designed for complex tax support and lack tax rates, rules and complex calculation functionality, and require the user to manually track, input, maintain, and update all tax law changes that occur;
- outsourced transaction tax compliance services offered by accounting and specialized consulting firms; and
- tax-specific solutions from other vendors.

We believe customers consider the following factors when selecting indirect tax technologies:

- ability to minimize compliance risk exposure associated with inaccurate and/or inconsistent determination and remittance of taxes;
- the growing regulatory complexity, which may require the need for more robust or proven tax solutions;
- ability to deliver real time tax determinations;
- ease of deployment and use;
- ease of integration with the customer's business applications, across multiple systems;
- ability to address multiple transaction tax compliance functions, from initial taxability and tax rate determination through compliance and remittance of funds;
- lower total cost of ownership; and
- continuously updated tax content applicable to the customer's business.

Depending on the importance and complexity associated with these factors for each customer we maintain varying competitive advantages. We monitor these factors and adjust our functionalities, service offerings, pricing structures and overall solution delivery approach to continually strengthen our position.

Intellectual Property

Our success has resulted in part from our proprietary methodologies, software, reusable knowledge capital, and other intellectual property rights. We rely on a combination of copyright, trademark, and trade secret law, as well as contractual restrictions such as confidentiality and non-compete provisions to protect our intellectual property rights, including our brand, technology, and confidential information. We have policies related to security, privacy, confidentiality, ownership, and the use and protection of our intellectual property. We also enter into confidentiality and invention assignment/proprietary rights agreements with our consultants, employees, and other third parties as appropriate that protect and control access to our intellectual property, and we enforce these agreements where necessary. We recognize the value of our intellectual property in the marketplace and vigorously identify, create, and protect it. We believe the innovation of our employees and our continued enhancement of the features and functionality of our solutions is the keystone of our success.

Human Capital

Our culture is the foundation of everything we do, guided by a common purpose to build trusted relationships at work, in business and in our communities. We strive to be a values-driven employer of choice who attracts, retains, and inspires talented professionals to achieve their full potential. Vertex received recognition in 2025 as a “*Best Place to Work*” from Built In, reflecting the value we place on our people and environment. We create and nurture an engaging work environment that embodies our core values of collaboration, performance, integrity, innovation, and fun, and we actively support our employees’ participation in Employee Resource Groups (“ERGs”), community service, and philanthropy.

As of December 31, 2025, we had over 2,100 full-time employees. Of these employees, 73% were based in the U.S., 17% based in Europe and 10% in other countries. We believe we have a strong relationship with our employees, and we have not experienced any work stoppages.

Available Information

We file annual, quarterly, and current reports and other information with the Securities and Exchange Commission (“SEC”). The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC, including us. You may also access, free of charge, our reports filed with the SEC (for example, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K and any amendments to those forms) through the “Investors” portion of our website (<https://www.vertexinc.com/>). Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. Our website is included in this Annual Report on Form 10-K as an inactive textual reference only. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business prospects, financial condition and results of operations, and they should be carefully considered. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors, in its entirety, in addition to other information contained in or incorporated by reference to this Annual Report on Form 10-K and our other public filings with the SEC. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations. See “Special Note Regarding Forward-Looking Statements” elsewhere in this Annual Report on Form 10-K.

Summary of Risk Factors

We are providing the following summary of the risk factors contained in this Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage our shareholders to carefully review the full risk factors contained in this Form 10-K in their entirety for additional information regarding the risks and uncertainties that could cause our actual results to vary materially from recent results or from our anticipated future results.

Risks Related to Our Business and Industry

- If we fail to add new customers, retain our customers, or expand their usage of our solutions, our business, results of operations, financial condition, and cash flows would be harmed.
- Our business would be harmed if we fail to maintain or expand our strategic relationships with third parties.
- We face competitive pressures from other tax software and services providers, as well as the challenge of convincing businesses using native ERP functions to switch to our software.
- Our recent success may not be indicative of our future results of operations.
- Changes to customers’ and partners’ software systems may impact our ability to offer a specific software deployment method to existing customers.
- We need to continue making significant investments in software development and equipment to improve our business.
- If we fail to effectively manage our growth, our business, results of operations, financial condition, and cash flows will be harmed.
- Future acquisitions of, and investments in, other businesses, software, tax content or technologies may not yield expected benefits.
- Our quarterly and annual results of operations may fluctuate in future periods.
- Operating globally involves challenges that may adversely affect our ability to grow.
- If we are unable to successfully adapt to organizational changes and effectively implement strategic initiatives, our reputation and results of operations could be impacted.
- If economic conditions worsen, it may negatively affect our business and financial performance.
- Natural disasters, epidemic or pandemic outbreaks, terrorist acts and political events could disrupt business and result in lower sales.
- Our ability to obtain additional capital on commercially reasonable terms may be limited.
- If we fail to attract and retain qualified technical and tax-content personnel, our business could be harmed.
- If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements could be impaired.

Risks Related to Technology and Intellectual Property

- If we are unable to adapt to technological changes, our business, results of operations, financial condition, and cash flows would be adversely affected.
- Any failures in information technology or infrastructure could lead to disruptions of our software, loss of customer data or untimely remittance of taxes.
- If we fail to effectively protect, maintain and enhance our brand, our business may suffer.
- We may face challenges in using and properly managing use of Artificial Intelligence (“AI”) in our business.

- Expansion into e-invoicing services increases our dependency on government infrastructure and exposes us to operational disruptions.
- We are exposed to cybersecurity and data privacy risks that, if realized, could materially impact our reputation and business.
- Undetected errors, bugs or defects in our software could harm our reputation or decrease market acceptance of our software.
- Our software utilizes open-source software, and any defects or security vulnerabilities in the open-source software could negatively affect our business.
- Interruptions or performance problems with third-party data centers, systems and technologies providers that we rely on may adversely affect our business and results of operations.
- Our ability to protect our intellectual property is limited, and we may be subject to claims of infringement by third parties.

Risks Related to Our Customers

- Incorrect or improper implementation, integration, or use of our solutions could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition, and cash flows.
- We hold significant amounts of money that we remit to taxing authorities on behalf of our customers, and this may expose us to liability from errors, delays, fraud or system failures, which may not be covered by insurance.
- Errors in our customers' transaction tax determinations and reporting functions, or delays in the remittance of their tax payments, could harm our reputation, results of operations and growth prospects.

Risks Related to Our Tax, Legal, and Regulatory Environment

- Changes in tax laws and regulations, or their interpretation or enforcement, may cause us to invest substantial amounts to modify our software, cause us to change our business model or draw new competitors to the market.
- We may become involved in material legal proceedings and audits.
- Changes in the application, scope, interpretation or enforcement of laws and regulations pertaining to our operations may harm our business or results of operations, subject us to liabilities and require us to implement new compliance programs or business methods.
- Noncompliance with anti-corruption, anti-bribery and similar laws can subject us to criminal penalties or significant fines and harm our business and reputation.

Risks Related to Ownership of Our Class A Common Stock

- The price of our Class A common stock may fluctuate significantly.
- Our share repurchase program may increase the volatility of the market price of our stock and adversely affect our liquidity. Further, we may not realize the anticipated long-term stockholder value of our share repurchase program.
- If securities or industry analysts do not publish, or publish negative, research or reports about our business, or if they adversely change their recommendations regarding our Class A common stock, the market price of our Class A common stock and trading volume could decline.
- We intend to rely on "controlled company" exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of other companies.

Risks Related to Our Indebtedness

- Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks and impair our ability to satisfy our obligations under our indebtedness.
- We may incur substantially more debt or take other actions which would further intensify the risks associated with our indebtedness.
- We may be unable to raise the funds necessary to repurchase the Notes (as defined below) for cash following a "fundamental change," or to pay any cash amounts due upon conversion, and our ability to repurchase the Notes or pay cash upon their conversion may be limited.

- Provisions in the Indenture (as defined below) could delay or prevent an otherwise beneficial takeover of us.
- The Capped Call Transactions (as defined below) may affect the value of our Class A common stock.

Risks Related to Our Business and Industry

A large portion of our revenue depends on maintaining and growing our revenue from existing customers and adding new customers, and if we fail to add new customers, retain our customers, or expand their usage of our solutions, our business, results of operations, financial condition, and cash flows would be harmed.

We currently derive a substantial portion of our revenue from subscriptions to our indirect tax software. We have added, and will continue to add, additional solutions to expand our offerings, but, at least in the near term, we expect to continue to derive the majority of our revenue from our indirect tax software. As such, the ability of our indirect tax software to meet our customers' requirements is critical to our success. Demand for our solutions is affected by a number of factors, many of which are beyond our control, such as continued market acceptance and continued employment of our solutions by existing and new customers, the timing of the development and release of upgraded or new solutions, the introduction or upgrading of products and services by our competitors, technological change, and growth or contraction in our addressable market. If our indirect tax software does not continue to meet customer requirements, our business, results of operations, financial condition, and growth prospects will suffer.

Our customers have no obligation to renew their subscriptions for our solutions after the expiration of their subscription periods and our customers may not renew subscriptions for a similar mix of solutions. Our retention rates would decline as a result of a number of factors, including customer dissatisfaction, decreased customer spending levels, decreased customer transaction volumes, increased competition, changes in tax laws or rules, pricing changes, or legislative changes affecting tax compliance providers. If our customers do not renew their subscriptions, or our customers reduce the solutions purchased under their subscriptions, our revenue would decline and our business may be harmed.

Our future success also depends in part on our ability to sell additional solutions to existing customers and on our customers' expanded use of our solutions. If our efforts to sell our additional solutions to our customers are not successful or if our customers do not expand their use of our solutions, it would decrease our revenue growth and harm our business, results of operations, financial condition, and cash flows.

Our business and success depend in part on our strategic relationships with third parties, including our partner ecosystem, and our business would be harmed if we fail to maintain or expand these relationships.

We depend in part on and anticipate that we will continue to depend in part on various third-party relationships to sustain and grow our business. Our relationships with third-party publishers of software business applications, including accounting, ERP, eCommerce, POS, recurring billing, and CRM systems, help drive our business because the integration of our solutions with their applications allows us to reach their sizeable customer bases. Our customers' user experience is dependent on our ability to connect easily to such third-party software applications. We may fail to retain and expand these integrations or relationships for many reasons, including due to failures by third parties to maintain, support, or secure their technology platforms in general and our integrations in particular, or errors, bugs or defects in such third-party technology, or changes in our technology platform. Any such failure could harm our relationship with our customers, our reputation and brand, and our business and results of operations.

In addition, integrating third-party technology can be complex, costly, and time-consuming. Third parties may be unwilling to build integrations, and we may be required to devote additional resources to develop integrations for business applications on our own. Providers of business applications with which we have integrations may decide to compete with us or enter into arrangements with our competitors, resulting in such providers withdrawing support for our integrations. In addition, any failure of our solutions to operate effectively with business applications could reduce the demand for our solutions, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to these changes or failures in a cost-effective manner, our solutions may become less marketable, less competitive or obsolete, and our results of operations may be negatively impacted.

We face competitive pressures from other tax software and services providers, as well as the challenge of convincing businesses using native ERP functions to switch to our software.

We face significant competitive challenges from other tax-specific software vendors and from outsourced transaction tax compliance services offered by accounting and specialized consulting firms. There are a number of competing tax-specific software vendors, and technologies, some of which have substantially greater revenue, personnel, and other resources than we do. Corporate competitors, as well as the state and local tax services offered by accounting firms, have historically targeted our customer base of large enterprise companies. In addition, our competitors who currently focus their tax compliance services on small- to medium-sized businesses may be better positioned to increase their market share with small- to medium-sized businesses and may choose to enter our markets, whether competing based on price, service or otherwise. We also face a growing number of competing private transaction tax compliance businesses focused primarily on eCommerce. Increased competition may impact our ability to add new customers and to retain and expand revenues from existing customers. It is also possible that large enterprises with substantial resources that operate in adjacent compliance, finance or eCommerce verticals may decide to pursue transaction tax compliance automation and become immediate, significant competitors. Our failure to successfully and effectively compete with current or future competitors could lead to lost business and negatively affect our revenue.

Our recent success may not be indicative of our future results of operations.

We cannot predict with certainty our customers' future usage or retention given the diversity of our customer base across industries, geographies, customer size, and other factors. Accordingly, we may be unable to accurately forecast our revenues notwithstanding our substantial investments in sales and marketing, tax content infrastructure, and research and development in anticipation of continued growth in our business. If we do not realize returns on these investments in our growth, our results of operations could differ materially from our prior results, which could cause our stock price to decline.

Changes to customers' and partners' software systems may impact our ability to offer a specific software deployment method to existing customers, which could cause a termination of customer contracts utilizing that deployment method, or otherwise affect our results of operations, financial condition, and cash flows.

Our solutions are integrated with the software systems and complex workflows of our customers and partners. In the event that such software systems are modified or updated in a way that is incompatible with our software, we may be unable to continue to support the operations of our customers and partners. If our customers are unable to implement our solutions successfully or in a timely manner, or if our partners are unable to integrate with our solutions through our integrations, customer perceptions of our solutions may be impaired, our reputation and brand may suffer, and customers may choose not to renew or expand the use of our solutions. In addition, if we fail to anticipate technological changes that our customers and partners may look to adopt, our solutions may be perceived as being less effective or obsolete. Any of these changes could have a material adverse effect on our results of operations and financial condition.

We need to continue making significant investments in software development and equipment to improve our business.

To improve the scalability, security, and efficiency of our solutions, and to support the expansion of our software into other tax types, we will need to continue making significant capital expenditures and also invest in additional software and infrastructure development, including investments in AI solutions. If we experience increasing demand in subscriptions, we may not be able to augment our infrastructure quickly enough to accommodate such increasing demand. In the event of decreases in subscription sales, certain of our fixed costs, such as for capital expenditures, may make it difficult for us to quickly adjust our expenses downward. Additionally, we are continually updating our software and content, which increases expenses for us. We may also need to review or revise our software architecture as we grow, which may require significant resources and investments. As a result, although we may have significant research and development expenditures, which may be incurred and certain of which may be capitalized, there is no guarantee our solutions will be accepted by the market. This could result in increased costs or an impairment of capitalized development costs with no resulting future revenue benefit.

If we fail to effectively manage our growth, our business, results of operations, financial condition, and cash flows will be harmed.

We have experienced, and may continue to experience, growth in our headcount and operations, both domestically and internationally, which has placed, and may continue to place, significant demands on our management and our

administrative, operational, and financial reporting resources. We have also experienced significant growth in the number of customers, number of transactions, and the amount of tax content that our platform and solutions support. Our growth will require us to hire additional employees and make significant expenditures, particularly in sales and marketing but also in our technology, professional services, finance and administration teams, as well as in our facilities and infrastructure. Our ability to effectively manage our growth will also require the allocation of valuable management and employee resources and improvements to our operational and financial controls and our reporting procedures and systems. In addition, as we seek to continue to expand internationally, we will likely encounter unexpected challenges and expenses due to unfamiliarity with local requirements, practices and markets. Our expenses may increase more than we plan, and we may fail to hire qualified personnel, expand our customer base, enhance our existing software, expand our tax content, develop new solutions, integrate any acquisitions, satisfy the requirements of our existing customers, respond to competitive challenges or otherwise execute our strategies. If we are unable to effectively manage our growth, our business, results of operations, financial condition and cash flows would likely be harmed.

Future acquisitions of, and investments in, other businesses, software, tax content or technologies may not yield expected benefits, and our inability to successfully integrate acquisitions may negatively impact our business, results of operations, financial condition and cash flows.

We may in the future seek to grow our operations by pursuing acquisitions of businesses, software and technologies. We may not realize the anticipated benefits, or any benefits, from future acquisitions. In addition, if we finance acquisitions by incurring debt or by issuing equity or convertible or debt securities, our existing stockholders may be diluted or we could face constraints related to covenants in the agreements governing the indebtedness, which could affect the market value of our capital stock. To the extent that the acquisition consideration is paid in the form of an earnout on future financial results, the success of such acquisition will not be fully realized by us for a period of time as it is shared with the sellers. Further, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be seriously harmed, and the value of your investment may decline. For us to realize the benefits of future acquisitions, we must successfully integrate the acquired businesses, software or technologies with ours. This may take time and divert management's attention from our day-to-day operations, which could negatively impact our business, results of operations, financial condition and cash flows.

Our quarterly and annual results of operations may fluctuate in future periods.

We may experience quarterly or annual fluctuations in our results of operations due to a number of factors, many of which are outside of our control. This makes our future results difficult to predict and could cause our results of operations to fall below expectations or our predictions. Factors that might cause quarterly or annual fluctuations in our results of operations include, but are not limited to:

- our ability to attract new customers and retain and grow revenue from existing customers;
- our ability to maintain, expand, train and achieve an acceptable level of production from our sales and marketing teams;
- our ability to find and nurture successful sales opportunities;
- the timing of our introduction of new solutions or updates to existing solutions;
- our ability to grow and maintain our relationships with our ecosystem of third-party partners, including integration partners and referral partners;
- the success of our customers' businesses;
- the timing of large subscriptions and customer renewal rates;
- new government regulations;
- changes in our pricing policies or those of our competitors;
- the amount and timing of our expenses related to the expansion of our business, operations and infrastructure;
- any impairment of our intangible assets, capitalized software, long-lived assets and goodwill;
- any seasonality in connection with new customer agreements, as well as renewal and upgrade agreements, each of which have historically occurred at a higher rate in the fourth quarter of each year;

- future costs related to acquisitions of content, technologies or businesses and their integration; and
- general economic conditions.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations. This variability and unpredictability could result in our failure to meet or exceed our internal operating plan. In addition, a percentage of our operating expenses is fixed in nature and is based on forecasted financial performance. In the event of revenue shortfalls, we may not be able to mitigate the negative impact on our results of operations quickly enough to avoid short-term impacts.

We generally recognize revenue from subscription fees paid by customers ratably over the subscription term. As a result, most of the subscription revenue we report in each quarter is the result of agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter will not be fully reflected in our revenue results for that quarter. Any such decline, however, will negatively affect our revenue in future quarters. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from new customers is generally recognized over the applicable subscription terms.

Operating globally involves challenges that may adversely affect our ability to grow.

We plan to continue expanding our business operations globally and to enter new markets where we have limited or no experience in marketing, selling and deploying our solutions. If we fail to deploy or manage our operations in international markets successfully, our business may suffer. In the future, as our international operations increase, or more of our expenses are denominated in currencies other than the U.S. dollar, our results of operations may become more sensitive to fluctuations in the exchange rates of the currencies in which we do business. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- political, social and economic instability;
- risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy, localization and content laws as well as unexpected changes in laws, regulatory requirements and enforcement due to the wide discretion given to some local lawmakers and regulators regarding the enactment, interpretation and implementation of local regulations;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship and requirements to provide user information to local authorities;
- fluctuations in currency exchange rates;
- higher levels of credit risk and payment fraud;
- complying with the tax laws and regulations of multiple tax jurisdictions;
- enhanced difficulties of integrating any foreign acquisitions;
- complying with a variety of foreign laws, including certain employment laws requiring national collective bargaining agreements that set minimum salaries, benefits, working conditions and termination requirements;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure and compliance costs associated with multiple international locations;
- regulations that might add difficulties in repatriating cash earned outside our core markets and otherwise prevent us from freely moving cash;
- import and export restrictions and changes in trade regulation;
- complying with statutory equity requirements;
- complying with the U.S. Foreign Corrupt Practices Act (the “FCPA”), the U.K. Bribery Act and similar laws in other jurisdictions; and

- complying with export controls and economic sanctions administered by the relevant local authorities, including in the U.S. and European Union, in our international business.

If we are unable to expand internationally and manage the complexity of our global operations successfully, our business could be seriously harmed.

If we are unable to successfully adapt to organizational changes and effectively implement strategic initiatives, our reputation and results of operations could be impacted.

Our success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. We have recently experienced workplace changes, including a new Chief Executive Officer, and we expect changes to continue for the foreseeable future. Unplanned departures or the failure to develop a robust leadership pipeline could upend our annual goals and erode investor confidence. We must aggressively recruit experts in all fields, particularly in the fields of AI and e-invoicing platforms, while retraining our existing workforce to adapt to automated, hybrid decision-making processes. This includes developing organizational capabilities in key growth markets where the depth of skilled employees is limited and competition for these resources is intense. Failure to manage this transition could lead to a loss of institutional knowledge, declining employee morale, and a weakened competitive position against digital-first entrants. Further, business and organizational changes may result in more reliance on third parties for various services, and that reliance may increase reputational, operational and compliance risks.

If economic conditions worsen, it may negatively affect our business and financial performance.

Our financial performance depends, in part, on the state of the economy, both in the U.S. and globally. Declining levels of economic activity may lead to declines in spending and customer revenue, which may result in decreased revenue for us. Concern about the strength of the economy, or the economic uncertainty created by the changing legal, regulatory, or taxation landscape in the United States, may slow the rate at which businesses of all sizes are willing to hire an outside vendor to perform the determination and remittance of their transaction taxes and filing of related returns. If our customers and potential customers experience financial hardship as a result of a weak or uncertain economy, industry consolidation or other factors, the overall demand for our solutions could decrease. If economic conditions worsen, our business, results of operations, financial condition and cash flows could be harmed. There is no guarantee that we will be able to offset inflationary pressure through price increases, and a sustained increase in inflation could have an adverse impact on our operating expenses our business, results of operations, financial condition and cash flows. The extent of these effects on our business and financial results will depend largely on future developments, which are highly uncertain and cannot be predicted.

Natural disasters, epidemic or pandemic outbreaks, terrorist acts and political events could disrupt business and result in lower sales and otherwise have a material adverse effect on our business, financial performance and results of operations.

The occurrence of one or more major natural disasters, unusual weather conditions, epidemic or pandemic outbreaks, terrorist attacks or disruptive political events, each of which is out of our control, may result in reduced consumer and supplier spending and transactions, which in turn could cause our revenues to decline and our business to suffer. Natural disasters including tornados, hurricanes, floods and earthquakes may damage the facilities of our customers or those of their suppliers or retailers or their other operations, which could lead to reduced revenue for our customers and thus could result in declines in our revenue that is aligned with customer transaction volume. In addition, a global epidemic or pandemic outbreak may have a material adverse effect on global economic conditions, consumer spending and the stability of global financial markets. Similarly, terrorist attacks or disruptive political events, such as the imposition of retaliatory tariffs or governmental trade or price manipulation, could cause our customers, or their customers, to defer spending plans or otherwise reduce their economic activity. If any of the foregoing risks were to be realized, it could have a material adverse effect on our business, financial performance and results of operations.

Our ability to obtain additional capital on commercially reasonable terms may be limited.

We intend to continue to make investments to support our business growth and may require additional funds, beyond those generated by our initial public offering or available under our existing credit facility, to respond to business challenges, including to better support and serve our customers, develop new software or enhance our existing solutions, expand our tax content, improve our operating and technology infrastructure or acquire complementary businesses and

technologies. Accordingly, we have in the past and may in the future need to engage in public or private equity, equity-linked or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and respond to business challenges could be significantly impaired, and our business and prospects could be adversely affected.

If we fail to attract and retain qualified technical and tax-content personnel, our business could be harmed.

Our technology is complex and our success depends in large part on our ability to attract and retain highly qualified personnel, particularly tax-content specialists, software developers, technical support, and research and development personnel. Competition for skilled personnel is intense and we may not be successful in attracting, motivating, and retaining needed personnel. We have recently experienced efforts by a significant competitor to solicit our employees, and other competitors may take similar actions in the future. We also may be unable to attract or integrate into our operations qualified personnel on the schedule we desire. Any inability to attract, integrate, motivate, and retain the necessary personnel could harm our business. Dealing with the loss of the services of our executive officers or key personnel and the process to replace any of our executive officers or key personnel may involve significant time and expense, take longer than anticipated, and significantly delay or prevent the achievement of our business objectives, which would harm our financial condition, results of operations, and business.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, or fail to remediate any material weaknesses in our internal controls over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

Ensuring that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.

If we identify any material weaknesses in our internal control over financial reporting, our management will be unable to assert that our disclosure controls and procedures and our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by NASDAQ, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Risks Related to Technology and Intellectual Property

If we are unable to adapt to technological change by successfully introducing new and enhanced solutions and services, our business, results of operations, financial condition, and cash flows would be adversely affected.

The market for our solutions is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands, and evolving industry standards. The introduction of software embodying new technologies can quickly make existing software obsolete and unmarketable. Software solutions are inherently complex, and it can take a long time and require significant research and development expenditures to develop and test new or enhanced solutions. The success of any enhancements or improvements to our software solutions

or any new solutions and services depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with existing technologies, and our platform and overall market acceptance. We cannot be sure that we will succeed in developing, marketing, and delivering on a timely and cost-effective basis enhancements or improvements to our software or any new solutions and services that respond to technological change or new customer requirements, nor can we be sure that any enhancements or improvements to our software or any new solutions and services will be free of errors and defects or that they will achieve market acceptance. Moreover, even if we introduce new solutions, we would experience a decline in revenue of our existing solutions that is not offset by revenue from the new solutions. Customers may delay making purchases of new solutions to permit them to make a more thorough evaluation of these solutions or until industry and marketplace reviews become widely available. In addition, we may lose existing customers who choose a competitor's solutions rather than migrate to our new solutions. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

Any failures in information technology or infrastructure could lead to disruptions of our software, loss of customer data or untimely remittance of taxes, any of which could adversely affect our reputation and financial condition.

Our software depends on uninterrupted, high-speed access to the internet in order to provide real-time tax determinations and processing of indirect tax data. Failures in our or our customers' and partners' information technology and infrastructure, or service outages at third-party internet providers, could lead to disruptions to our software. Such failures may be caused by numerous factors, including mechanical failure, power outage, human error, physical or electronic security breaches, war, terrorism, fire, earthquake, hurricane, flood and other natural disasters, sabotage, and vandalism. Disruptions to our software could cause customers to lose sensitive or confidential information and could also lead to our or our customers' inability to timely remit taxes to the appropriate authorities. Any of these outcomes could lead customers to switch to our competitors or avoid using our solutions, which would negatively impact our revenue and harm our opportunities for growth.

If we fail to effectively protect, maintain and enhance our brand, our business may suffer.

As a leader in our industry for over 45 years, our brand is one of our most valuable assets, and any failure to protect our brand could cause our business to suffer. In addition, the promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive and as we expand into new regions. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Our brand promotion efforts will require investment not just in our indirect tax solutions, but also in our full suite of software and services. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors and we could lose customers or fail to attract potential new customers, all of which would adversely affect our business, results of operations, financial condition and cash flows.

We may face challenges in using and properly managing use of Artificial Intelligence ("AI") in our business, which could result in reputational or competitive harm, and legal liability, and could adversely and materially affect the results of our business, operations, financial condition, and cash flows.

We have launched a product leveraging generative AI and expect to incorporate other AI solutions into our platform, offerings, and/or services, and these solutions may grow over time and become significant in our operations. We expect to incur significant costs related to our investment in AI solutions. However, if we are not effective in developing these solutions, or if we fail to generate sufficient usage of our products and services, we may not grow revenue in line with our investment in AI. In addition, if the content, analyses, or recommendations that our product leveraging generative AI assist in producing are or are alleged to be deficient, inaccurate, or biased, our business, operations, or financial condition may be adversely and materially affected. The use of AI applications has resulted in cybersecurity incidents that involve the personal data of end users of such applications. Any such cybersecurity incidents related to our use of AI applications could adversely affect our reputation and operations. Regulatory and investor scrutiny regarding hyperbolic or unsubstantiated claims about AI integration has increased, resulting in enforcement actions and litigation against companies who engage in this practice. If our public statements regarding "AI-powered" features, such as tax determination or predictive compliance capabilities, are deemed inaccurate or lack a reasonable basis, we may face claims under federal and state securities laws and significant civil penalties. The legal and regulatory environment governing AI is evolving, and new laws may cause us to modify our AI strategy or implementation of technology leveraging AI functionality. AI also presents emerging ethical issues and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, or legal liability.

Expansion into e-invoicing services increases our dependency on government infrastructure and exposes us to operational disruptions.

In many jurisdictions, e-invoicing is becoming mandatory under “clearance” models, where an invoice must be validated by a government-designated platform before it is legally valid. If these government systems experience downtime or technical failure, our customers may be unable to legally transact, potentially leading to stalled supply chains and financial losses. We may face claims for damages if our API integrations or middleware fail to maintain connectivity with these critical government gateways.

We are exposed to cybersecurity and data privacy risks that, if realized, could materially impact our reputation and business.

To run our business, we rely heavily on our IT systems and those of many third-party service providers. In the ordinary course of business, customers provide us with information that our solutions store, some of which include confidential information about them or their financial transactions. We also store personal information about our employees and, to a lesser extent, those who purchase products or services from our customers. We face the risk of increasingly sophisticated cyber-attacks (including those that leverage AI), computer hacks, theft, viruses, malicious software (such as ransomware), phishing, employee error, denial-of-service attacks, known and unknown vulnerabilities in software and other security breaches that threaten our IT systems and confidential information (including personal data), as well as the performance of our software and expose us to potentially material financial and reputational harm. Such harm could result from the theft of our or our customers’ confidential information, operational disruption that prevents or hinders our customers from accessing our systems, the re-routing of funds through fraudulent transactions, among other things.

We rely extensively on third-party providers, such as cloud and SaaS platforms, whose security safeguards are beyond our control. These third parties, including vendors that provide products and services for our operations area source of potentially significant security risk to our operations and business. Our network of ecosystem partners are also a source of risk to the extent their applications interface with ours and contain vulnerabilities. We do not review the software code included in third-party integrations in all instances.

We and certain of our third-party providers regularly experience cyberattacks and other incidents, and we expect such attacks and incidents to continue in varying degrees. For example, we have experienced phishing attacks and incidents involving unauthorized access to confidential information. While to date no incidents have had a material impact on our operations or financial results, we cannot guarantee that material incidents will not occur in the future. Because the techniques used to obtain unauthorized access to data or to sabotage IT systems are increasingly sophisticated and leverage tools, such as artificial intelligence, we and our third party providers are unable to anticipate all techniques or to implement comprehensive preventative measures. With the increasing frequency of cyber-related frauds to obtain inappropriate payments and other threats related to cyber-attacks, we may find it necessary to expend resources to remediate cyber-related incidents or to enhance and strengthen our cybersecurity. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service. Although we have insurance coverage for losses associated with cyber-attacks, as with all insurance policies, there are coverage exclusions and limitations, and our coverage may not be sufficient to cover all possible claims, and we may still suffer losses that could have a material adverse effect on our reputation and business.

The security systems and infrastructure we maintain and use cannot guarantee protection against all security breaches and cyber-attacks, social-engineering attacks, computer break-ins, theft and other improper activity. A significant cyberattack or data breach could result in the loss of business, litigation and regulatory investigations, loss of customers and fines and penalties that could damage our reputation and brand and adversely affect the growth of our business. To date, the Company has not experienced any material impact to the business or operations resulting from information or cybersecurity attacks; however, because of the frequently changing attack techniques, along with the increased volume and sophistication of the attacks, there is the potential for the Company to be adversely impacted.

The increase in remote working arrangements by our employees, vendors, and other third parties also increases the risk of a data security compromise and the possible attack surfaces. We also have acquired and are likely to continue to acquire companies with cybersecurity vulnerabilities or unsophisticated security measures, which present potentially significant cybersecurity and integration risk to us. Although we conduct training as part of our information security, cybersecurity, and data privacy efforts, that training cannot be completely effective in preventing those attacks from being successful. There can be no assurance that our cybersecurity risk management program and processes, including our

policies, controls, or procedures, will be fully implemented, complied with or effective in protecting our systems and information.

Undetected errors, bugs or defects in our software could harm our reputation or decrease market acceptance of our software, which would harm our business and results of operations.

Our software may contain undetected errors, bugs or defects. We have experienced these errors, bugs or defects in the past in connection with new software and software upgrades and we expect that errors, bugs or defects may be found from time to time in the future in new or enhanced software after their commercial release. Our software is often used in connection with large-scale computing environments with different operating systems, system management software, equipment and networking configurations, which may cause or reveal errors or failures in our software or in the computing environments in which they are deployed. Despite testing by us, errors, bugs or defects may not be found in our software until they are used by our customers. In the past, we have discovered errors, bugs and defects in our software after they have been deployed to customers.

Any errors, bugs, defects, disruptions in service or other performance problems with our software may damage our customers' businesses and could hurt our reputation, brand and business. We may also be required, or may choose, for customer relations or other reasons, to expend additional resources to correct actual or perceived errors, bugs or defects in our software. If errors, bugs or defects are detected or perceived to exist in our software, we may experience negative publicity, loss of competitive position or diversion of the attention of our key personnel, our customers may delay or withhold payment to us or elect not to renew their subscriptions, or other significant customer relations problems may arise. We may also be subject to liability claims for damages related to errors, bugs or defects in our software. A material liability claim or other occurrence that harms our reputation or decreases market acceptance of our software may harm our business and results of operations.

Our software utilizes open-source software, and any defects or security vulnerabilities in the open-source software could negatively affect our business.

Certain of our software employs open-source software and we expect to use open-source software in the future. To the extent that our software depends upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of our software, delay the introduction of new solutions, result in a failure of our software, and injure our reputation. For example, undetected errors or defects in open-source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches.

In addition, the terms of various open-source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market certain of our software solutions. Some open-source licenses might require us to make our source code available for no cost, to make publicly available source code for modifications or derivative works that we create based upon, incorporating or using the open-source software, and/or to license such modifications or derivative works under the terms of the particular open-source license. While we try to insulate our proprietary code from the effects of such open-source license provisions, we cannot guarantee we will be successful. In addition to risks related to open-source 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 the origin of the software. Many of the risks associated with usage of open-source software cannot be eliminated and could negatively affect our business, financial condition and results of operations.

We rely on third-party data centers, systems and technologies to operate our business, and interruptions or performance problems with these third-party providers may adversely affect our business and results of operations.

We rely on data centers and other technologies and services provided by third parties in order to operate our business. If any of these services becomes unavailable or otherwise is unable to serve our requirements, there could be interruptions to our software and provision of services to our customers. Our business depends on our ability to protect the growing amount of information stored in data centers and related systems, offices and hosting facilities against damage from earthquakes, floods, fires, other extreme weather conditions, power loss, telecommunications failures, hardware failures, viruses, terrorist attacks, acts of war, unauthorized electronic or physical intrusion, overload conditions and other events. If our data centers or related systems fail to operate properly or become disabled even for a brief period of time, we could suffer financial loss, a disruption of our business, liability to customers or damage to our reputation. Our response to any

type of disaster may not be successful in preventing the loss of customer data, service interruptions, disruptions to our operations or damage to our important facilities. Our data center providers have no obligations to renew their agreements with us on commercially reasonable terms, or at all, and it is possible that we will not be able to switch our operations to another provider in a timely and cost-effective manner should the need arise. If we are unable to renew our agreements with these providers on commercially reasonable terms, or if in the future we add additional data center facility providers, we may face additional costs or expenses or downtime, which could harm our business.

We also rely on computer hardware purchased or leased from, software licensed from, content licensed from and services provided by a variety of third parties, which include database, operating system, virtualization software, tax requirement content and geolocation content and services. Any errors, bugs or defects in such third-party hardware, software, content or services could result in errors or a failure of our solutions, which could harm our business. In the future, we might need to license other hardware, software, content or services to enhance our solutions and meet evolving customer requirements. Any inability to license or otherwise obtain such hardware or software could result in a reduction in functionality, or errors or failures of our products, until equivalent technology is either developed by us or, if available, is identified, obtained through purchase or license, and integrated into our solutions, any of which may reduce demand for our solutions and increase our expenses. In addition, third-party licenses may expose us to increased risks, including risks associated with the integration of new technology, the diversion of resources from the development of our own proprietary technology, and our inability to generate revenue from new technology sufficient to offset associated acquisition and maintenance costs, all of which may increase our expenses and harm our results of operations.

Our ability to protect our intellectual property is limited, and we may be subject to claims of infringement by third parties.

Our success depends, in part, upon our proprietary technology, processes, trade secrets, and other proprietary information and our ability to protect this information from unauthorized disclosure and use. We primarily rely upon a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures, contractual provisions and other similar measures to protect our proprietary or confidential information and intellectual property. Our trademarks and service marks include VERTEX™ and O Series™, which is our flagship indirect tax solution. Despite our efforts to protect our proprietary rights and intellectual property, unauthorized parties may attempt to copy aspects of our solutions or to obtain and use information that we regard as proprietary, and third parties may attempt to independently develop similar technology, policing unauthorized use of our technology and intellectual property rights may be difficult and may not be effective.

In addition, third parties may claim infringement by us with respect to current or future solutions or other intellectual property rights. The software and technology industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims and lawsuits to enforce our intellectual property rights or to defend ourselves against claims of infringement of third-party intellectual property rights, and the disposition of such claims and lawsuits, whether through settlement or licensing discussions, or litigation, could be time-consuming and expensive to resolve, divert management attention from executing our strategies, result in efforts to enjoin our activities, lead to attempts on the part of other parties to pursue similar claims, and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages, or enter into short- or long-term royalty or licensing agreements. Any adverse determination related to intellectual property claims or other litigation could prevent us from offering our solutions to others, could be material to our financial condition or cash flows, or both, or could otherwise harm our results of operations.

Risks Related to Our Customers

Incorrect or improper implementation, integration, or use of our solutions could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition, and cash flows.

Our customers may need training or education in the proper use of, and the variety of benefits that can be derived from, our solutions to maximize their potential benefits. If our solutions are not implemented or used correctly or as intended, inadequate performance may result. Because our customers rely on our solutions to manage a wide range of tax compliance operations, the incorrect or improper implementation or use of our solutions, or our failure to provide adequate support to our customers, may result in negative publicity or legal claims against us, which could harm our business, results of operations, financial condition, and cash flows. Also, as we continue to expand our customer base, any failure by us to

properly provide training and support will likely result in lost opportunities for additional subscriptions for our solutions. In addition, the upfront costs of our solutions can limit our sales to businesses using manual processes.

We hold significant amounts of money that we remit to taxing authorities on behalf of our customers, and this may expose us to liability from errors, delays, fraud or system failures, which may not be covered by insurance.

We handle significant amounts of our customers' money so that we can remit those amounts to various taxing jurisdictions on their behalf. If we make mistakes in the determination or remittance of tax payments to the appropriate jurisdictions, our reputation and results of operations could suffer. Moreover, if our banks' or our own internal compliance procedures regarding cash management fail, are hacked or sabotaged, there is a communication error of taxing jurisdiction remittance instructions between the banks' and our systems, or if our banks or we are the subject of fraudulent behavior by personnel or third parties, we could face significant financial losses. Our efforts to remit tax payments to applicable taxing jurisdictions after receiving the corresponding funds from our customers may fail, which would expose us to the financial risk of collecting from our customers after we have remitted funds on their behalf.

Additionally, we are subject to risk from concentration of cash and cash equivalent accounts, including cash from our customers that is to be remitted to taxing jurisdictions, with financial institutions where deposits routinely exceed federal insurance limits. If the financial institutions in which we deposit our customers' cash were to experience insolvency or other financial difficulty, our access to cash deposits could be limited, any deposit insurance may not be adequate, we could lose our cash deposits entirely and we could be exposed to liability to our customers. Any of these events would negatively impact our liquidity, results of operations and our reputation.

Errors in our customers' transaction tax determinations and reporting functions, or delays in the remittance of their tax payments, could harm our reputation, results of operations and growth prospects.

The tax determinations functions that our customers have to perform are complicated from a data management standpoint, time-sensitive and dependent on the accuracy of the database of tax content underlying our solutions. Some of our processes are not fully automated, such as our process for monitoring updates to tax rates and rules, and even to the extent our processes are automated, our solutions are not proven to be without any possibility of errors. If errors are made in our customers' tax determinations and reporting functions, or delays occur in the remittance of their tax payments, our customers may be assessed interest and penalties. Although our agreements generally have disclaimers of warranties and limit our liability, a court could determine that such disclaimers and limitations are unenforceable as a matter of law and hold us liable for these errors. Additionally, erroneous tax determinations could result in overpayments to taxing authorities that are difficult to reclaim from the applicable taxing authorities or underpayments that could result in penalties. Any history of erroneous tax determinations for our customers could also harm our reputation, could result in negative publicity, loss of or delay in market acceptance of our solutions, loss of customer renewals and loss of competitive position. In addition, our insurance coverage may not cover all amounts claimed against us if such errors or failures occur. The financial and reputational costs associated with any erroneous tax determinations may be substantial and could harm our results of operations.

Risks Related to Our Tax, Legal, and Regulatory Environment

Changes in tax laws and regulations, or their interpretation or enforcement, may cause us to invest substantial amounts to modify our software, cause us to change our business model or draw new competitors to the market.

Changes in tax laws or regulations or interpretations of existing taxation requirements in the U.S. or in other countries may require us to change the manner in which we conduct some aspects of our business and could harm our ability to attract and retain customers. For example, a material portion of our revenue is generated by performing what can be complex transaction tax determinations and the corresponding preparation of tax returns and remittance of taxes. Changes in tax laws or regulations that reduce complexity or decrease the frequency of tax filings could negatively impact our revenue. In addition, there is considerable uncertainty as to if, when and how tax laws and regulations might change. As a result, we may need to invest substantial funds to modify our solutions to adapt to new tax laws or regulations. If our software solutions are not flexible enough to adapt to changes in tax laws and regulations, our financial condition and results of operations may suffer.

A number of states have considered or adopted laws that attempt to require out-of-state retailers to collect sales taxes on their behalf or to provide the jurisdiction with information enabling it to more easily collect use tax. On June 21, 2018,

the U.S. Supreme Court issued its opinion in *South Dakota v. Wayfair, Inc.*, upholding South Dakota's economic nexus law, which requires certain out-of-state retailers to collect and remit sales taxes on sales into South Dakota. Following the Supreme Court's decision, certain states with pre-existing economic nexus provisions announced that they would begin enforcing these provisions on out-of-state retailers and additional states have proceeded with similar efforts. There also has been consideration of federal legislation related to taxation of interstate sales, which, if enacted into law, would place guidelines or restrictions on states' authority to require online and other out of state merchants to collect and remit indirect tax on products and services that they may sell. Similar issues exist outside of the U.S., where the application of value-added taxes or other indirect taxes on online retailers is uncertain and evolving. The effect of changes in tax laws and regulations is uncertain and dependent on a number of factors. Depending on the content of any indirect tax legislation, the role of third-party compliance vendors may change, we may need to invest substantial amounts to modify our solutions or our business model, we could see a decrease in demand, we could see new competitors enter the market, or we could be negatively impacted by such legislation in a way not yet known.

We may become involved in material legal proceedings and audits, the outcomes which could adversely affect our business, results of operations, financial condition and cash flows.

From time to time, we are involved in claims, suits, investigations, audits and proceedings arising in the ordinary course of our business, and we may in the future become involved in legal proceedings and audits that could have a material adverse effect on our business, results of operations, financial condition and cash flows. Claims, suits, investigations, audits and proceedings are inherently difficult to predict and their results are subject to significant uncertainties, many of which are outside of our control. Regardless of the outcome, such legal proceedings could have a negative impact on us due to legal costs, diversion of management resources and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, substantial settlements, judgments, fines or penalties, criminal sanctions, consent decrees or orders preventing us from offering certain features, functionalities, products or services, requiring us to change our development process or other business practices.

There is also inherent uncertainty in determining reserves for these matters. There is significant judgment required in the analysis of these matters, including assessing the probability of potential outcomes and determining whether a potential exposure can be reasonably estimated. Further, it may take time to develop factors on which reasonable judgments and estimates can be based. If we fail to establish appropriate reserves, our business could be negatively impacted.

Changes in the application, scope, interpretation or enforcement of laws and regulations pertaining to our operations may harm our business or results of operations, subject us to liabilities and require us to implement new compliance programs or business methods.

We perform a number of critical business functions for our customers, including remittance of the taxes our customers owe to taxing authorities. Our electronic payment of customers' taxes may be subject to federal or state laws or regulations relating to money transmission. The Federal Bank Secrecy Act requires that financial institutions, of which money transmitters are a subset, register with the U.S. Department of Treasury's Financial Crimes Enforcement Network and maintain policies and procedures reasonably designed to monitor, identify, report and, where possible, avoid money laundering and criminal or terrorist financing by customers. Most U.S. states also have laws that apply to money transmitters, and impose various licensure, examination and bonding requirements on them. We believe these federal and state laws and regulations were not intended to cover the business activity of remitting transaction taxes that taxpayers owe to the various states and localities. However, if federal or state regulators were to apply these laws and regulations to this business activity, whether through expansion of enforcement activities, new interpretations of the scope of certain of these laws or regulations or of available exemptions, or if our activities are held by a court to be covered by such laws or regulations, we could be required to expend time, money and other resources to deal with enforcement actions and any penalties that might be asserted, to institute and maintain a compliance program specific to money transmission laws, and possibly to change aspects of how we conduct our business to achieve compliance or minimize regulation. Application of these laws to our business could also make it more difficult or costly for us to maintain our banking relationships. Financial institutions may also be unwilling to provide banking services to us due to concerns about the large dollar volume moving in and out of our accounts on behalf of our customers in the ordinary course of our business. As we continue to expand the solutions we offer and the jurisdictions in which we offer them, we could become subject to other licensing, examination or regulatory requirements relating to financial services.

Determining the taxes owed by our customers involves providing solutions tailored to the types and prices of products our customers sell, as well as information regarding addresses that products are shipped from and delivered to. Numerous

federal, state and local laws and regulations govern the collection, dissemination, use and safeguarding of personal information and other data, the scope of which is changing, subject to differing interpretations, and which may be costly to comply with, inconsistent between jurisdictions or conflicting with other rules. We may be subject to these laws in certain circumstances. Most states have also adopted laws that require notice be given to affected consumers in the event of a security breach. In the event of a security breach, our compliance with these laws may subject us to costs associated with notice and remediation, as well as potential investigations from federal regulatory agencies and state attorneys general. A failure on our part to safeguard consumer data adequately or to destroy data securely may subject us, depending on the personal information in question, to costs associated with notice and remediation, as well as to potential regulatory investigations or enforcement actions, and possibly to civil liability, under federal or state data security or unfair practices or consumer protection laws. If federal or state regulators were to expand their enforcement activities or change their interpretation of the applicability of these laws, or if new laws regarding privacy and protection of consumer data were to be adopted, the burdens and costs of complying with them could increase significantly, negatively affecting our results of operations and possibly the manner in which we conduct our business. For example, the European Union's General Data Protection Regulation requires certain operational changes for companies that receive or process personal data of residents of the EU and includes significant penalties for noncompliance. In addition, other governmental authorities around the world are considering implementing similar types of legislative and regulatory proposals concerning data protection. We may incur significant costs to comply with these mandatory privacy and security standards.

Regulatory bodies are also increasingly implementing continuous transaction controls with uncoordinated technical standards and formats, such as Peppol, XML, and UBL. Future mandates, such as the EU's "VAT in the Digital Age" (ViDA) package scheduled for 2028, will require substantial R&D investment to ensure our platform remains compliant across fragmented markets. Failure to timely update our software to support evolving local formats could result in service outages, customer attrition, and regulatory sanctions.

We are subject to anti-corruption, anti-bribery and similar laws and noncompliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to requirements under the U.S. Treasury Department's Office of Foreign Assets Control, anti-corruption, anti-bribery and similar laws, such as the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making, offering or providing anything of value to a "foreign official" for the purposes of influencing official decisions or obtaining or retaining business, or otherwise obtaining favorable treatment. As we increase our international operations, our risks under these laws may increase. Non-compliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences. Any investigations, actions or sanctions could harm our business, results of operations, financial condition and cash flows.

In addition, in the future we may use third parties to sell access to our software and conduct business on our behalf abroad. We or such future third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we can be held liable for the corrupt or other illegal activities of such future third-party intermediaries, and our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities. We cannot provide assurance that our internal controls and compliance systems will always protect us from liability for acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks, false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, economic and trade sanctions, money laundering, data privacy and other related laws. Any such improper actions or allegations of such acts could subject us to significant sanctions, including civil or criminal fines and penalties, disgorgement of profits, injunctions and debarment from government contracts, as well as related stockholder lawsuits and other remedial measures, all of which could adversely affect our reputation, business, results of operations and financial condition.

Any violation of economic and trade sanction laws, export and import laws, the FCPA or other applicable anti-corruption laws or anti-money laundering laws could also result in whistleblower complaints, adverse media coverage, investigations and severe criminal or civil sanctions, any of which could have a materially adverse effect on our reputation, business, results of operations and prospects.

Risks Related to Ownership of Our Class A Common Stock

The price of our Class A common stock may fluctuate significantly, and you could lose all or part of your investment.

The market price of our Class A common stock is likely to be volatile and could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- actual or anticipated fluctuations in our results of operations and financial condition;
- variance in our financial performance from expectations of securities analysts;
- changes in our software subscription revenue;
- changes in our projected operating and financial results;
- changes in tax laws or regulations;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- our involvement in any litigation;
- our sale of our Class A common stock or other securities in the future;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

The stock markets have historically experienced price and volume fluctuations that at times have been extreme and have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our Class A common stock. If the market price of our Class A common stock falls below your investment price, you may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

Our share repurchase program may increase the volatility of the market price of our stock and adversely affect our liquidity. Further, we may not realize the anticipated long-term stockholder value of our share repurchase program.

On October 30, 2025, our Board of Directors (the "Board") authorized a stock repurchase program for up to \$150.0 million of the Company's outstanding shares of Class A common stock (the "Repurchase Program"). The authorization does not obligate us to repurchase any specific dollar amount or number of shares, there is no expiration date for the authorization, and the Repurchase Program may be modified, suspended, or terminated at any time and for any reason. Any future announcement of a termination or suspension of the Repurchase Program, or our decision not to utilize the full authorized repurchase amount under the Repurchase Program, may reduce investor confidence and/or result in a decrease in the market price of our shares. The existence of the Repurchase Program could cause our stock price to trade higher than it otherwise would and could potentially reduce the market liquidity for our stock. The Repurchase Program may not enhance long-term stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares. Additionally, short-term stock price fluctuations could reduce the number or amount of shares we may ultimately repurchase pursuant to the Repurchase Program. Repurchasing our common stock will reduce the amount of cash we have available to fund working capital, repayment of debt, capital expenditures, strategic acquisitions or business opportunities, and other general corporate purposes. The actual timing, number, and value of shares repurchased will depend on various factors, including the market price of our common stock, trading volume, general market conditions, and other corporate and economic considerations.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, or if they adversely change their recommendations regarding our Class A common stock, the market price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock is influenced by research and reports that securities or industry analysts publish about us, our business, and our market. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our Class A common stock price will likely decline. If any of the analysts who cover us cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price of our Class A common stock or trading volume to decline.

We are a “controlled company” within the meaning of the NASDAQ Rules and, as a result, expect to qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Our current principal stockholders beneficially own a majority of the combined voting power of all classes of our outstanding voting stock; thus, we are a controlled company within the meaning of the NASDAQ Rules, which state a company with more than 50% of the voting power held by another person or group of persons acting together is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors as defined under the rules of the NASDAQ Global Market;
- the nominating and governance committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the compensation committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

These requirements will not apply to us as long as we remain a controlled company. We have in the past and may in the future rely on the exemptions afforded to a “controlled company” from the corporate governance requirements described above. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NASDAQ Global Market.

Risks Related to Our Indebtedness

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under our indebtedness.

In April 2024, we incurred \$345.0 million aggregate principal amount of indebtedness as a result of the issuance of the Company’s 0.750% Convertible Senior Notes due 2029 (the “Notes”). As of December 31, 2025, we had approximately \$957.7 million of indebtedness, excluding indebtedness of our subsidiaries and intercompany liabilities. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our Class A common stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the Notes, and our cash needs may increase in the future. In addition, the Credit Agreement contains, and any future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

Despite current indebtedness levels, we may incur substantially more debt or take other actions which would further intensify the risks associated with our indebtedness.

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We will not be restricted under the terms of the indenture governing the Notes (the “Indenture”) from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the Indenture that could have the effect of diminishing our ability to make payments on our indebtedness when due. Our Line of Credit restricts our ability to incur additional indebtedness, including secured indebtedness, but if the respective facility matures or is repaid, we may not be subject to such restrictions under the terms of any subsequent indebtedness.

We may be unable to raise the funds necessary to repurchase the Notes for cash following a “fundamental change,” or to pay any cash amounts due upon conversion, and applicable law, regulatory authorities and our other indebtedness may limit our ability to repurchase the Notes or pay cash upon their conversion.

Noteholders may, subject to a limited exception, require us to repurchase their Notes following a “fundamental change” (as described in the Indenture governing the Notes) at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our Class A common stock. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Notes or pay the cash amounts due upon conversion. Our failure to repurchase Notes or to pay the cash amounts due upon conversion when required will constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the Notes.

Provisions in the Indenture could delay or prevent an otherwise beneficial takeover of us.

Certain provisions in the Notes and the Indenture could make a third party’s attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a “fundamental change” (as described in the Indenture governing the Notes), then noteholders will have the right to require us (or in limited circumstances, such third party) to repurchase their Notes for cash. In addition, if a takeover constitutes a “make-whole fundamental change” (as described in the Indenture governing the Notes), then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Notes and the Indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that noteholders or holders of our Class A common stock may view as favorable.

The Capped Call Transactions may affect the value of our Class A common stock.

In connection with the pricing of the Notes, we entered into Capped Call Transactions (as defined in Note 10, “Debt”) to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K with certain Option Counterparties (also defined in Note 10, “Debt”). The Capped Call Transactions are expected generally to reduce the potential dilution upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

The Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common

stock or other securities of ours in secondary market transactions from time to time prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock.

In addition, if any such Capped Call Transactions are terminated for any reason, the Option Counterparties or their respective affiliates may unwind their hedge positions with respect to our Class A common stock, which could adversely affect the value of our Class A common stock.

Furthermore, the Option Counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the Capped Call Transactions. Our exposure to the credit risk of the Option Counterparties will not be secured by any collateral. If an Option Counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Call Transactions with such Option Counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our Class A common stock. We can provide no assurances as to the financial stability or viability of the Option Counterparties.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity Disclosures

Cybersecurity Risk Management and Strategy

Our cybersecurity risk management initiative is a cornerstone of our information security program, led by our Senior Vice President (“SVP”) of Information Security who reports to our Chief Technology Officer. We maintain the cybersecurity risk program with defined processes for risk identification, detection, response, and recovery, including regular testing and third-party assessments that are intended to protect the confidentiality, integrity, and availability of our critical systems and information.

We have designed and assessed our program based on the National Institute of Standards and Technology Cybersecurity Framework (“NIST CSF”). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management initiative is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management initiative includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our enterprise IT environment;
- an Information Security governance, risk and compliance team that is responsible for managing our cybersecurity risk assessment processes and acts as a check and balance on our cybersecurity team which is responsible for maintaining, monitoring, and updating our security controls as well as managing our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our employees, incident response personnel, and senior management;
- AI security risk management: risk-based practices intended to address cybersecurity risks arising from AI-enabled threats and the use of AI technologies in our operations or products;
- application of risk-based cybersecurity practices within our product development lifecycle;

- a cybersecurity incident response plan and playbook that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers that is calibrated based on our assessment of each provider’s operational criticality and risk profile.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations, or financial condition. We face risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See Item 1A. “Risk Factors – We are exposed to cybersecurity and data privacy risks that, if realized, could expose us to legal liability, damage our reputation, and harm our business.”

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee (the “Committee”) oversight of cybersecurity and other information technology risks. The Committee oversees management’s implementation of our cybersecurity risk management program.

The Committee receives quarterly reports from management on our cybersecurity risks. In addition, management updates the Committee, as necessary, regarding any cybersecurity incidents.

The Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from management on our cybersecurity risk management program. Board members receive presentations on cybersecurity topics from our SVP of Information Security, internal security staff, or external experts as part of the Board’s continuing education on topics that impact public companies.

Our SVP of Information Security manages our cybersecurity risk management program. Our SVP of Information Security has over twenty years of cybersecurity, compliance and leadership experience, has worked at both large enterprises and medium-sized companies, and reports to our Chief Technology Officer. Our Chief Technology Officer and our Chief Digital Officer are primarily responsible for assessing and managing our cyber risks. Our Chief Technology Officer has over thirty-five years of leadership experience in global business operations, including information security and compliance, and reports to our Chief Executive Officer. Our Chief Digital Officer has more than twenty-five years of consulting and organizational management experience with small to large enterprise-sized clients in a variety of leading industries, primarily involving business innovation, strategy, and large-scale technology enablement, and reports to our Chief Financial Officer. Our SVP of Information Security, Chief Technology Officer and/or Chief Digital Officer work closely with the Vertex Executive Leadership Team to support their oversight responsibilities in relation to the overall cybersecurity risk management program.

Our management team stays informed about significant cybersecurity risks, risk management processes and incidents through regular briefings with the SVP of Information Security, Chief Technology Officer and/or Chief Digital Officer, who in turn supervise and monitor efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from security operations personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed including both customer facing and in our internal environment.

Item 2. Properties

Our corporate headquarters, which includes our operations and development teams, is located in King of Prussia, Pennsylvania, and consists of approximately 189,500 square feet of space under a lease that expires on September 30, 2028.

We also lease offices in Naperville, Illinois; Frankfurt, Germany; Sao Paulo, Brazil; Chennai, India; Killorglin, Ireland; Cork, Ireland; Dublin, Ireland; and Vienna, Austria.

We believe our facilities are adequate for our current and presently foreseeable needs.

Item 3. Legal Proceedings

On January 25, 2022, we filed a complaint (subsequently amended on February 9, 2022) against Avalara, Inc. (“Avalara”) in the United States District Court for the Eastern District of Pennsylvania. The complaint alleges claims of unfair competition, intentional interference with contractual relations, and trade secret misappropriation against Avalara. We are seeking a permanent injunction to prevent Avalara from further interference with our contractual relations and to prohibit the disclosure in any way of our confidential, proprietary and/or trade secret information. We are also seeking monetary damages, including punitive damages and attorney’s fees. As of December 31, 2025, the matter remains before the Court and is proceeding through the discovery process. We believe the allegations in the complaint, once proven, are sufficient to prevail in this matter. However, the eventual outcome of the case is subject to a number of uncertainties, and therefore we cannot offer any assurance as to the ultimate impact of this case on our business and operations.

In addition to the foregoing matter, from time to time, we may be involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our Class A common stock has been listed on the NASDAQ Global Market exchange, under the symbol “VERX” since July 28, 2020. Prior to that date, there was no public trading market for our common stock. Our Class B common stock is not listed on any stock exchange nor traded on any public market.

Holders

As of December 31, 2025, we had 5 holders of record of our Class A common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders. As of December 31, 2025, there were 20 stockholders of record of our Class B common stock.

Dividend Policy

We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our Board and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our Board may deem relevant.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below presents information with respect to our Class A common stock purchases made during the three months ended December 31, 2025 by us or any “affiliated purchaser”, as defined in Rule 10b-18(a)(3) under the Exchange Act:

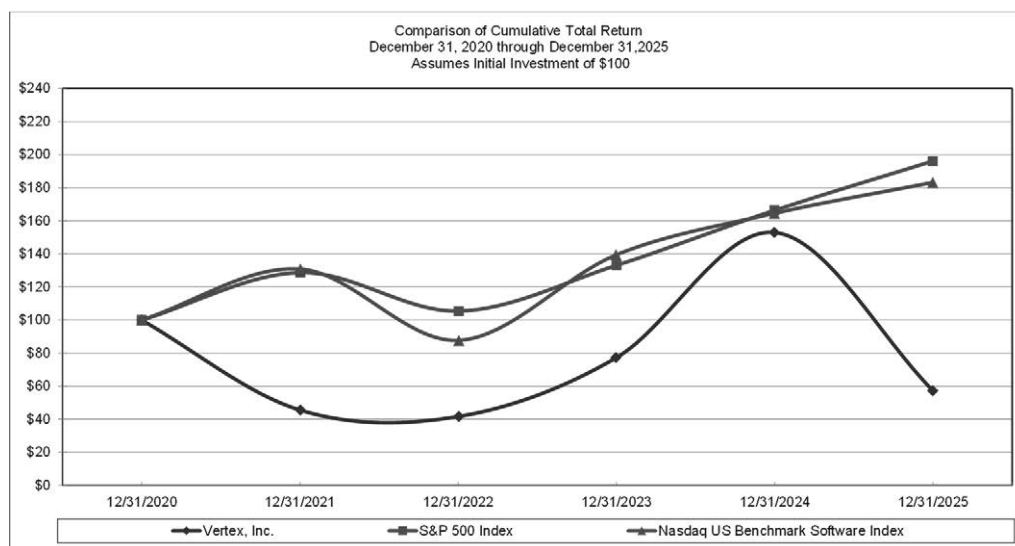
| Period ⁽¹⁾ | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans at Period End (in thousands) |
|-----------------------|----------------------------------|------------------------------|--|---|
| October 1-31 | — | \$ — | — | \$ 150,000 |
| November 1-30 | — | — | — | 150,000 |
| December 1-31 | 503,890 | 20.00 | 503,890 | 139,921 |
| Total | <u>503,890</u> | <u>\$ 20.00</u> | <u>503,890</u> | \$ 139,921 |

⁽¹⁾ On October 30, 2025, the Board authorized a stock repurchase program for up to \$150.0 million of the Company’s outstanding shares of Class A common stock. The stock repurchase program has no termination date and may be modified, suspended or discontinued at any time.

Shares purchased under the repurchase plan do not include shares withheld to satisfy withholding tax obligations.

Stock Performance Graph

The graph below⁽¹⁾ compares the cumulative total return on our Class A common stock with that of the S&P 500 Index⁽²⁾ and the NASDAQ U.S. Benchmark Software TR Index⁽³⁾. The period shown commences on December 31, 2020, and ends on December 31, 2025, the end of our most recent fiscal year. The graph assumes an investment of \$100 in each of the aforementioned on the close of market on December 31, 2020. The stock price performance graph is not necessarily indicative of future price performance. The information in this paragraph and the following performance graph are deemed to be furnished, not filed.



¹ Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2026.

² S&P 500 Index Data: Copyright Standard and Poor's, Inc. Used with permission. All rights reserved.

³ NASDAQ Index Data: Copyright NASDAQ OMX, Inc. Used with permission. All rights reserved.

| Company / Index | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 | 12/31/2024 | 12/31/2025 |
|-----------------------------------|------------|------------|------------|------------|------------|------------|
| Vertex, Inc. | \$ 100.00 | \$ 45.53 | \$ 41.63 | \$ 77.27 | \$ 153.01 | \$ 57.27 |
| S&P 500 | \$ 100.00 | \$ 128.71 | \$ 105.40 | \$ 133.10 | \$ 166.40 | \$ 196.16 |
| NASDAQ U.S. Benchmark Software TR | \$ 100.00 | \$ 130.86 | \$ 87.67 | \$ 139.46 | \$ 164.53 | \$ 183.21 |

Recent Sales of Unregistered Securities

None.

Item 6. [Reserved]

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs, and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the sections titled “Risk Factors” and “Special Note Regarding Forward-Looking Statements.”

This section of this Annual Report on Form 10-K generally discusses 2025 and 2024 items and year-to-year comparisons between 2025 and 2024. Discussions of 2023 items and year-to-year comparisons between 2024 and 2023 are not included in this Annual Report on Form 10-K, and can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2024.

Overview

Vertex is a leading provider of enterprise compliance technology for global commerce. Our software, data, and services help businesses operate with confidence by automating and governing transaction-based compliance obligations that arise wherever they buy, sell, and move goods and services around the world. Our mission is to deliver the most trusted tax technology enabling global businesses to transact, comply, and grow with confidence. Vertex provides cloud-based and on-premise solutions that can be tailored to specific industries for every major line of indirect tax, including sales and consumer use, value added (including e-invoicing), and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 2,100 professionals and serves companies across the globe.

We derive the majority of our revenue from software subscriptions. These subscriptions include use of our software and ongoing monthly content updates. Our software is offered on a subscription basis to our customers, regardless of their deployment preferences. On-premise subscriptions and cloud-based subscriptions are typically sold through one- to three-year contracts. We bill the majority of our customers annually in advance of the subscription period.

Our customers include a majority of the Fortune 500, as well as a majority of the top 10 companies by revenue in multiple industries such as retail, technology, and manufacturing, in addition to leading marketplaces. Our customer base also includes many of Europe’s largest companies in the industrial and chemical manufacturing, pharmaceutical, medical device and metals and mining industries. As our customers expand geographically and pursue omnichannel business models, their tax determination and compliance requirements increase and become more complex, providing sustainable organic growth opportunities for our business. Our flexible, tiered transaction-based pricing model also results in our customers growing their spend with us as they grow and continue to use our solutions. We principally price our solutions based on a customer’s revenue base, in addition to a number of other factors.

We employ a hybrid deployment model to align to our customers’ technology preferences for their core financial management software across on-premise, cloud deployments, or any combination of these models. Over time, we expect both existing and newly acquired customers to continue to shift toward cloud deployment models. Cloud-based subscription sales to new customers have grown at a significantly faster rate than on-premise software subscription sales, which is a trend that we expect to continue over time. We generated 55% and 49% of software subscription revenues from cloud-based subscriptions in 2025 and 2024, respectively. While our on-premise software subscription revenues comprised 45% and 51% of our software subscription revenues for 2025 and 2024, respectively, they continue to decrease as a percentage of total software subscriptions revenues as cloud-based subscriptions grow.

We license our solutions primarily through our direct sales force, which focuses on selling to qualified leads provided by our marketing efforts, and through our network of referral partners. We also utilize indirect sales to a lesser extent to efficiently grow and scale our enterprise and mid-market revenues.

Our partner ecosystem is a differentiating, competitive strength in both our software development and our sales and marketing activities. We integrate with key technology partners that span ERP, CRM, procurement, billing, POS, and eCommerce. These partners include Adobe/Magento, Coupa, Microsoft Dynamics, NetSuite, Oracle, Salesforce, SAP, SAP Ariba, Shopify, Workday, and Zuora. In 2025, we partnered with Kintsugi to launch Kintsugi powered by Vertex,

which enables small- and medium-sized businesses to automate key compliance functions while providing real-time dashboards for jurisdictional liability and exposure tracking. We also collaborate with over 45 accounting and professional services firms who have built implementation practices around our software to serve their customer base.

We believe that global commerce and the compliance environment provide durable and accelerating growth opportunities for our business. We generated revenues of \$748.4 million and \$666.8 million in 2025 and 2024, respectively. We had net income (loss) of \$7.2 million and \$(52.7) million in 2025 and 2024, respectively. These amounts are presented in accordance with generally accepted accounting principles in the U.S. (“GAAP”).

We define Adjusted EBITDA as net income or loss before interest (including adjustments to the settlement value of deferred purchase commitment liabilities), income tax expense or benefit, depreciation, and amortization, as adjusted to exclude charges for stock-based compensation expense, amortization of cloud computing arrangement implementation costs, severance expense, acquisition contingent consideration, changes in the fair value of acquisition contingent earn-outs, changes in the settlement value of deferred purchase commitment liabilities recorded as interest expense, and transaction costs. Adjusted EBITDA was \$161.5 million and \$151.9 million in 2025 and 2024, respectively. Adjusted EBITDA is a non-GAAP financial measure. Refer to “Key Business Metrics” and “Use and Reconciliation of Non-GAAP Financial Measures” for further discussion of key business metrics and non-GAAP financial measures and their comparison to GAAP financial measures.

Key Factors Affecting Performance

The growth of our business and our future success depends on many factors, including our ability to retain and expand our revenues from existing customers, acquire new customers, broaden and deepen our partner ecosystem, continually innovate our software, invest in growth and scale our business, and manage customer migrations to cloud solutions. While these areas represent significant opportunities for us, we also face significant risks and challenges that we must successfully address in order to sustain the growth of our business and improve our operating results. We anticipate that we will continue to expand our operations and headcount. The expected addition of new personnel and the investments that we anticipate will be necessary to manage our anticipated growth may make it more difficult for us to achieve or maintain profitability. Many of these investments will occur in advance of experiencing any direct benefit and will make it difficult to determine if we are allocating our resources efficiently.

Retention and expansion of revenues from existing customers. Given the breadth of our customer base and their own internal growth, the majority of our revenues and revenue growth comes from existing customers. This revenue growth is comprised of the acquisition of new licenses for additional products, increases in subscription fees due to expanded usage of currently licensed software and price increases. We plan to continue to invest in new innovations and offerings and in our sales and marketing teams in order to support the ongoing strong retention and expansion of revenues with our existing customers. We continually invest in and focus on elevating and delivering exceptional experiences for our customers, while aiming to build strong, long-term relationships with them. We monitor our net revenue retention rate (“NRR”) in order to understand our ability to retain and grow revenues from our customers. Our NRR was 105% and 109% in 2025 and 2024, respectively. We believe our gross revenue retention rate (“GRR”) provides insight into and demonstrates to investors our ability to retain revenues from our existing customers. Our GRR was 94% and 95% in 2025 and 2024, respectively. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations– Key Business Metrics– Net Revenue Retention Rate and Gross Revenue Retention Rate” and for further discussion.

Acquire new customers. Our solutions address the complexity of aligning commerce and compliance, and we believe the market for our software and solutions is large and underpenetrated, both in the U.S. and globally. As enterprise and mid-market companies continue to expand their business operations—both through their product and service offerings and their global footprint—we expect demand for our tax and e-invoicing solutions to increase due to the fact that legacy solutions such as spreadsheets, manual processes, native ERP functionality, or home-built solutions are error prone, inefficient, and cannot scale. We plan to continue to invest in our sales and marketing teams and our solution development in order to address this increased demand from new customers. This increased investment will result in increases in expenses in advance of revenues attributable to these investments.

Broaden and deepen our partner ecosystem. We have an extensive network of partners that spans ERP, CRM, procurement, billing, POS, and eCommerce platforms. Our partners enhance the coverage and adoption of our solutions and promote our thought leadership. We leverage our partnerships to maximize the benefits of our solutions for our

customers and to identify new customer opportunities. By forming additional strategic alliances with participants in the global digital transformation, such as payments and eCommerce platforms, we can continue to expand our exposure to all transactions, business-to-consumer, business-to-business, and business-to-government.

Continued innovation of our software. With the pace of change in commerce and compliance, we believe it is important to continue innovating and extending the functionality and breadth of our software. We plan to continue investing to further enhance our content and the speed and usability of our software. Historically such innovation has been accomplished through internal development efforts. However, we may pursue acquisitions, development arrangements with partners or similar activities to accelerate these investments. We believe continuing to enhance our existing software and expanding our tax content and increasing jurisdictional coverage with our e-invoicing solutions will increase our ability to generate revenues by broadening the appeal of our software to new customers as well as increasing our engagement with existing customers. Refer to Note 3, “Acquisitions” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K for a discussion of our acquisitions.

Investing in growth and scaling our business. We believe that our market opportunity is large, and we will continue to invest significantly in scaling across organizational functions in order to support the anticipated growth in our operations both domestically and internationally. Any investments we make in our research and development and our sales and marketing organization will occur in advance of experiencing the benefits from such investments; therefore, it may be difficult for us to determine if we are efficiently allocating resources in those areas. We may pursue acquisitions or partner arrangements to accelerate its growth initiatives. Refer to Note 3, “Acquisitions” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K for a discussion of our acquisitions.

Customer migration to cloud solutions. Over time, we expect a continued shift to our cloud solutions by our existing and newly acquired customers. When existing customers migrate from our on-premise to our cloud-based solutions, this generally has a favorable impact on our long-term ARR due to price structures and opportunities to promote additional license sales. Over recent years, cloud sales to new customers have grown at a faster rate than sales of on-premise solutions, which is a trend that we expect to continue over time. We generated 55% and 49% of software subscription revenues from cloud-based subscriptions in 2025 and 2024, respectively. We host our cloud-based subscriptions. To the extent that revenues from our cloud-based solutions continue to increase as a percentage of total revenues, our gross margin may decrease as we scale our multi-cloud offerings to support future growth.

Recent Developments

Kintsugi Investment

During the second quarter of 2025, we completed our strategic investment in Kintsugi, a San Francisco-based, AI startup focused on automating sales tax compliance for small and mid-size businesses (the “Kintsugi Investment”). Terms of the agreement included a \$15.0 million minority investment representing a 10% ownership interest, as well as an intellectual property sharing and commercial arrangement. Additionally, we have designated one member to Kintsugi’s board of directors. For further information on the Kintsugi Investment, refer to Note 4, “Investments” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Repurchase Program

On October 30, 2025, our Board authorized a stock repurchase program for up to \$150.0 million of our outstanding shares of Class A common stock (the “Repurchase Program”). Any repurchased shares will be available for use in connection with our stock plans and for other corporate purposes. The Repurchase Program has no termination date and may be modified, suspended or discontinued at any time. For further information on our Repurchase Program, refer to Note 11, “Stockholders’ Equity” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

CEO Transition

Effective November 10, 2025, David DeStefano, our Chief Executive Officer, President and Chairperson of the Board, retired as an executive officer. In connection with Mr. DeStefano’s retirement, the Board appointed Christopher Young as Chief Executive Officer, President and a Class III director, also effective as of November 10, 2025.

Components of Our Results of Operations

Revenues

We generate revenues from software subscriptions and services.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to be received in exchange for those products or services. We enter into contracts that include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowance for subscription and non-renewal cancellations and any taxes collected from customers that are subsequently remitted to governmental authorities.

Software Subscriptions

Licenses for on-premise software subscriptions provide the customer with a right to use the software as it exists when made available to the customer. Customers purchase a subscription to these licenses, which includes the related software and tax content updates and product support. The updates and support, which are part of the subscription agreement, are essential to the continued utility of the software; therefore, we have determined the software and the related updates and support to be a single performance obligation. Accordingly, when on-premise software is licensed, the revenue associated with this combined performance obligation is recognized ratably over the license term as these subscriptions are provided for the duration of the license term. Revenue recognition begins on the later of the beginning of the subscription period or the date the software is made available to the customer to download.

Our cloud-based subscriptions allow customers to use Vertex-hosted software over the contract period without taking possession of the software. The contracts are generally for one to three years and are generally billed annually in advance of the subscription period. Our cloud-based offerings also include related updates and support. Revenue recognition begins on the later of the beginning of the subscription period or the date the customer is provided access to the cloud-based solutions. All services within the cloud-based contracts consistently provide a benefit to the customer during the subscription period; thus, the associated revenue is recognized ratably over the subscription period.

Revenue is impacted by the timing of sales and our customers' growth or contractions resulting in their need to expand or contract their subscription usage, the purchase of new solutions, or the non-renewal of existing solutions. In addition, revenue will fluctuate with the cessation of extended product support fees charged for older versions of our software subscription solutions when they are retired and these fees are no longer charged. Contracts for on-premise licenses permit cancellations at the end of the license term. Legacy cloud-based subscription contracts for multi-year periods previously provided customers the right to terminate their contract for services prior to the end of the subscription period at a significant penalty. This penalty requires the payment of a percentage of the remaining months of the then-current contract term. Current cloud-based contracts do not contain such termination rights. Terminations of cloud-based subscriptions prior to the end of the subscription term have occurred infrequently, and the impact has been immaterial. The allowance for subscription and non-renewal cancellations reflects an estimate of the amount of such cancellations and non-renewals based on past experience, current information, and forward-looking economic considerations.

Services Revenue

We generate services revenue primarily in support of our customers' needs associated with our software and to enable them to realize the full benefit of our solutions. These software subscription-related services include configuration, data migration and implementation, and premium support and training. In addition, we generate services revenue through our managed services offering which allows customers to outsource all or a portion of their indirect tax operations to us. These services include indirect tax return preparation, filing and tax payment, and notice management. We generally bill for services on a per-transaction or time and materials basis, and we recognize revenue from deliverable-based professional services as services are performed.

Fluctuations in services revenue are directly correlated to fluctuations in our subscription revenues with respect to implementation and training services as we have historically experienced an attachment rate to subscription sales for these services of approximately 60%. In addition, our managed services offering has continued to experience increased revenues

associated with returns processing volume increases attributable to regulatory changes, as customers expanded their tax filings into more jurisdictions.

Cost of Revenue

Software Subscriptions

Cost of software subscriptions revenue consists of costs related to providing and supporting our software subscriptions and includes personnel and related expenses, including salaries, benefits, bonuses, and stock-based compensation. In addition, cost of revenue includes direct costs associated with information technology, such as data center and software hosting costs, and tax content maintenance. Cost of software subscriptions revenue also includes amortization associated with capitalized internal-use software for cloud-based subscription solutions and software developed for sale for new products and enhancements to existing products, and costs associated with the amortization of certain acquired intangible assets. We plan to continue to significantly expand our infrastructure and personnel to support our future growth and increases in transaction volumes of our cloud-based solutions, including through acquisitions. We expect growth in our business will result in an increase in cost of software subscriptions revenue in absolute dollars.

Services

Cost of services revenue consists of direct costs of software subscription-related services and our managed services offering. These costs include personnel and related expenses, including salaries, benefits, bonuses, stock-based compensation, and the cost of third-party contractors and other direct expenses. We plan to continue to expand our infrastructure and personnel as necessary to support our future growth in our managed service offerings and related increases in our service revenue. We expect growth in our business will result in an increase in the cost of services revenue in absolute dollars.

Research and Development

Research and development expenses consist primarily of personnel and related expenses for our research and development activities, including salaries, benefits, bonuses, and stock-based compensation, and the cost of third-party developers and other contractors. Research and development costs, other than software development expenses qualifying for capitalization, are expensed as incurred.

We devote substantial resources to developing new products and enhancing existing products, conducting quality assurance testing and improving our core technology. We believe continued investments in research and development are critical to attain our strategic objectives and expect research and development costs to increase in absolute dollars. These investments include enhancing our solution offerings to address changing customer needs to support their growth, as well as implementing changes required to keep pace with our partners' technology to ensure the continued ability of our solutions to work together and deliver value to our customers. The market for our solutions is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands, and evolving industry standards. As a result, although we are making significant research and development expenditures, certain of which may be capitalized, there is no guarantee these solutions will be accepted by the market. This could result in increased costs or an impairment of capitalized development costs with no resulting future revenue benefit.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of personnel and related expenses in support of sales and marketing efforts. These costs include salaries, benefits, bonuses, and stock-based compensation. In addition, selling and marketing expenses include costs related to advertising and promotion efforts, branding costs, partner-based commissions, costs associated with our annual customer conferences and amortization of certain acquired intangible assets. We intend to continue to invest in our sales and marketing capabilities in the future to continue to increase our brand awareness and expect these costs to increase on an absolute dollar basis as we grow our business and continue to expand our market and partner ecosystem penetration. Sales and marketing expense in absolute dollars and as a percentage of total revenue may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our sales and marketing functions, as these investments will occur in advance of experiencing the benefits from such investments and may vary in scope and scale over future periods.

General and Administrative

General and administrative expenses consist primarily of personnel and related expenses for administrative, finance, information technology, legal, risk management, facilities, and human resources staffing, including salaries, benefits, bonuses, severance, stock-based compensation, professional fees, insurance premiums, facility costs, amortization of cloud computing arrangement implementation costs, and other internal support and infrastructure costs.

We expect our general and administrative expenses to increase in absolute dollars as we continue to expand our operations, hire additional personnel, and integrate current and future acquisitions.

Depreciation and Amortization

Depreciation and amortization expense consists of the allocation of purchased and developed asset costs over the future periods benefited by the use of these assets. These assets include leasehold improvements for our facilities, computers and equipment needed to support our customers and our internal infrastructure and capitalized internal-use software associated with our internal tools. Depreciation and amortization will fluctuate in correlation with our ongoing investment in internal infrastructure costs to support our growth.

Change in Fair Value of Acquisition Contingent Earn-Outs

The change in fair value of acquisition contingent earn-outs consists of fair value adjustments to our Cash Earn-outs (as defined below) and Stock Earn-outs (as defined below) (collectively with the Cash Earn-outs, the “Earn-outs”) related to our 2024 acquisition of ecosio. The Earn-outs will be revalued and adjusted quarterly until the end of the Earn-out periods.

Other Operating Expense (Income), net

Other operating expense (income), net consists primarily of transactions costs associated with merger and acquisition activities, periodic remeasurement of contingent consideration associated with completed acquisitions, realized gains and losses on foreign currency fluctuations, and other operating gains and losses. These amounts will fluctuate as a result of ongoing merger and acquisition activities and for changes in foreign currency rates.

Interest Expense (Income), net

Interest expense (income), net reflects the net amount of interest expense and interest income over the same period.

Interest expense consists primarily of interest incurred related to the Notes (as defined below), a term loan in the aggregate amount of \$50.0 million (the “Term Loan”), Credit Agreement (as defined below), and leases. Interest expense includes amortization of deferred financing fees over the term of the credit facility or write-downs of such costs upon redemption of debt. Interest expense will vary as a result of fluctuations in the level of debt outstanding as well as interest rates on such debt. In addition, interest expense will include adjustments to the fair value of contracts that may be entered into to hedge risks associated with currency fluctuations for cash receipts or cash payments denominated in currencies other than U.S. dollars and which do not qualify for hedge accounting, as well as changes in the settlement value of the

future payment obligation for the Systax Sistemas Fiscais LTDA (“Systax”) acquisition, which was fully settled on June 5, 2024.

Interest income reflects earnings on investments of our cash on hand and our investment securities. Interest income will vary as a result of fluctuations in the future level of funds available for investment and the rate of return available in the market on such funds.

Income Tax Expense (Benefit)

Income tax expense (benefit) consists primarily of federal, foreign, state, and local taxes on our loss or income. Vertex and its subsidiaries are generally taxed at the corporate level, and the income tax expense or benefit is based on the income or loss sourced to the U.S. federal and state jurisdictions as well as foreign jurisdictions at the tax rates applicable in those jurisdictions.

Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto beginning on page F-1 of this Annual Report on Form 10-K. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods. The following table sets forth our consolidated statements of comprehensive income (loss) for the periods indicated.

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change | |
|--|------------------------------------|--------------------|-----------------------|------------|
| | 2025 | 2024 | | |
| Revenues: | | | | |
| Software subscriptions | \$ 639,654 | \$ 567,124 | \$ 72,530 | 12.8 % |
| Services | 108,790 | 99,652 | 9,138 | 9.2 % |
| Total revenues | <u>748,444</u> | <u>666,776</u> | <u>81,668</u> | 12.2 % |
| Cost of revenues: | | | | |
| Software subscriptions ⁽¹⁾ | 187,816 | 175,580 | 12,236 | 7.0 % |
| Services ⁽¹⁾ | 79,027 | 65,071 | 13,956 | 21.4 % |
| Total cost of revenues | <u>266,843</u> | <u>240,651</u> | <u>26,192</u> | 10.9 % |
| Gross profit | <u>481,601</u> | <u>426,125</u> | <u>55,476</u> | 13.0 % |
| Operating expenses: | | | | |
| Research and development ⁽¹⁾ | 83,715 | 66,666 | 17,049 | 25.6 % |
| Selling and marketing ⁽¹⁾ | 196,488 | 170,574 | 25,914 | 15.2 % |
| General and administrative ⁽¹⁾ | 178,685 | 152,835 | 25,850 | 16.9 % |
| Depreciation and amortization | 24,812 | 20,953 | 3,859 | 18.4 % |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 | (34,500) | (197.1)% |
| Other operating expense (income), net | 12,570 | (175) | 12,745 | (7,282.9)% |
| Total operating expenses | <u>479,270</u> | <u>428,353</u> | <u>50,917</u> | 11.9 % |
| Income (loss) from operations | 2,331 | (2,228) | 4,559 | (204.6)% |
| Interest expense (income), net | <u>(5,248)</u> | <u>(4,137)</u> | <u>(1,111)</u> | 26.9 % |
| Income before income taxes | 7,579 | 1,909 | 5,670 | 297.0 % |
| Income tax expense | 368 | 54,638 | (54,270) | (99.3)% |
| Net income (loss) | <u>7,211</u> | <u>(52,729)</u> | <u>59,940</u> | (113.7)% |
| Other comprehensive (income) loss: | | | | |
| Foreign currency translation adjustments, net of tax | (44,520) | 24,150 | (68,670) | (284.3)% |
| Unrealized loss (gain) on investments, net of tax | 9 | (13) | 22 | (169.2)% |
| Total other comprehensive income (loss), net of tax | <u>(44,511)</u> | <u>24,137</u> | <u>(68,648)</u> | (284.4)% |
| Total comprehensive income (loss) | <u>\$ 51,722</u> | <u>\$ (76,866)</u> | <u>\$ 128,588</u> | (167.3)% |

⁽¹⁾ Includes stock-based compensation expenses as follows in the table below.

| (Dollars in thousands) | For the year ended December 31, | |
|--|---------------------------------|-----------|
| | 2025 | 2024 |
| Cost of revenues, software subscriptions | \$ 5,829 | \$ 4,349 |
| Cost of revenues, services | 5,062 | 2,768 |
| Research and development | 12,442 | 9,548 |
| Selling and marketing | 15,616 | 13,204 |
| General and administrative | 18,814 | 17,556 |
| Total stock-based compensation expense | \$ 57,763 | \$ 47,425 |

The following table sets forth our results of operations as a percentage of our total revenues for the periods presented.

| | For the year ended December 31, | |
|--|---------------------------------|---------|
| | 2025 | 2024 |
| Revenues: | | |
| Software subscriptions | 85.5 % | 85.1 % |
| Services | 14.5 % | 14.9 % |
| Total revenues | 100.0 % | 100.0 % |
| Cost of revenues: | | |
| Software subscriptions | 25.1 % | 26.3 % |
| Services | 10.6 % | 9.8 % |
| Total cost of revenues | 35.7 % | 36.1 % |
| Gross profit | 64.3 % | 63.9 % |
| Operating expenses: | | |
| Research and development | 11.2 % | 10.0 % |
| Selling and marketing | 26.3 % | 25.6 % |
| General and administrative | 23.9 % | 22.9 % |
| Depreciation and amortization | 3.3 % | 3.1 % |
| Change in fair value of acquisition contingent earn-outs | (2.3)% | 2.6 % |
| Other operating expense (income), net | 1.7 % | — % |
| Total operating expenses | 64.1 % | 64.2 % |
| Income (loss) from operations | 0.2 % | (0.3)% |
| Interest expense (income), net | (0.7)% | (0.6)% |
| Income before income taxes | 0.9 % | 0.3 % |
| Income tax expense | — % | 8.2 % |
| Net income (loss) | 0.9 % | (7.9)% |
| Other comprehensive (income) loss: | | |
| Foreign currency translation adjustments, net of tax | (5.9)% | 3.6 % |
| Unrealized loss (gain) on investments, net of tax | — % | — % |
| Total other comprehensive income (loss), net of tax | (5.9)% | 3.6 % |
| Total comprehensive income (loss) | 6.8 % | (11.5)% |

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenues

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|------------------------|------------------------------------|-------------------|-------------------------|
| | 2025 | 2024 | |
| Revenues: | | | |
| Software subscriptions | \$ 639,654 | \$ 567,124 | \$ 72,530 12.8 % |
| Services | 108,790 | 99,652 | 9,138 9.2 % |
| Total revenues | <u>\$ 748,444</u> | <u>\$ 666,776</u> | <u>\$ 81,668</u> 12.2 % |

Revenues increased \$81.7 million, or 12.2%, to \$748.4 million in 2025 compared to \$666.8 million in 2024. The increase in software subscriptions revenues of \$72.5 million, or 12.8%, was primarily driven by increases from our existing customers through cross-selling new products, and to a lesser extent, increases due to expanded use and price increases. Software subscriptions revenues derived from new customers averaged 7.1% and 6.3% of total software subscriptions revenues in 2025 and 2024, respectively. These increases were partially offset by revenues from customer usage tier-ups being lower in 2025 compared to 2024.

The \$9.1 million increase in services revenues was primarily driven by a \$7.6 million increase in recurring services revenues due to returns processing volume increases related to customer business growth and regulatory changes as customers expanded their tax filings into more jurisdictions, as well as an increase in interest received from our funds held for customers. Additionally, there was a \$1.5 million increase in software subscription-related services associated with the growth in subscription revenues, which includes new customers implementing our solutions and existing customers upgrading to newer versions of our solutions.

Cost of Software Subscriptions Revenues

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|---|------------------------------------|------------|-----------------------|
| | 2025 | 2024 | |
| Cost of software subscriptions revenues | \$ 187,816 | \$ 175,580 | \$ 12,236 7.0 % |

Cost of software subscriptions revenues increased \$12.2 million, or 7.0%, to \$187.8 million in 2025 compared to \$175.6 million in 2024. The increase was primarily driven by a \$10.5 million increase in depreciation and amortization of capitalized software and acquired intangible assets associated with our ongoing investments in internal-use software for cloud-based subscription solutions, software developed for sale for new products and enhancements to existing products, and costs associated with the increased amortization of acquired intangible assets. Additionally, there was a \$1.7 million increase in costs of personnel supporting period-over-period growth of sales and customers, ongoing infrastructure investments and support costs to enable the continued expansion of customer transaction volumes for our cloud-based subscription customers.

Cost of Services Revenues

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|---------------------------|------------------------------------|-----------|-----------------------|
| | 2025 | 2024 | |
| Cost of services revenues | \$ 79,027 | \$ 65,071 | \$ 13,956 21.4 % |

Cost of services revenues increased \$14.0 million, or 21.4%, to \$79.0 million in 2025, compared to \$65.1 million in 2024. The increase was primarily due to an increase in costs of service delivery personnel to support revenue growth in software subscription-related services and our managed services offering.

Research and Development

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change | |
|--------------------------|------------------------------------|-----------|-----------------------|--------|
| | 2025 | 2024 | | |
| Research and development | \$ 83,715 | \$ 66,666 | \$ 17,049 | 25.6 % |

Research and development expenses increased \$17.0 million, or 25.6%, to \$83.7 million in 2025 compared to \$66.7 million in 2024. This increase in research and development expenses was primarily due to an increase in personnel costs related to development work associated with new solutions to address end-to-end data analysis and compliance needs of our customers, and continued expansion of connectors and application program interfaces to customer ERP and other software platforms. Additionally, this increase reflects additional research and development investments related to the commercialization of our AI-based Smart Categorization product, other AI-related internal tools and new product initiatives, and other emerging technologies.

Selling and Marketing

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change | |
|------------------------|------------------------------------|------------|-----------------------|--------|
| | 2025 | 2024 | | |
| Selling and marketing | \$ 196,488 | \$ 170,574 | \$ 25,914 | 15.2 % |

Selling and marketing expenses increased \$25.9 million, or 15.2%, to \$196.5 million in 2025 compared to \$170.6 in 2024. This increase was primarily driven by a \$15.6 million increase in payroll and related expenses associated with the growth in period-over-period subscription sales and services revenues and expansion of our partner and channel management programs. Additionally, there was an increase of \$10.3 million in advertising and promotional spending related to expanded brand awareness efforts.

General and Administrative

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change | |
|----------------------------|------------------------------------|------------|-----------------------|--------|
| | 2025 | 2024 | | |
| General and administrative | \$ 178,685 | \$ 152,835 | \$ 25,850 | 16.9 % |

General and administrative expenses increased \$25.9 million, or 16.9%, to \$178.7 million in 2025 compared to \$152.8 million in 2024, primarily driven by planned strategic investments in information technology infrastructure, business process re-engineering and other initiatives to drive future operating leverage, as well as investments in employees, systems and other resources in support of our growth.

Depreciation and Amortization

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change | |
|-------------------------------|------------------------------------|-----------|-----------------------|--------|
| | 2025 | 2024 | | |
| Depreciation and amortization | \$ 24,812 | \$ 20,953 | \$ 3,859 | 18.4 % |

Depreciation and amortization expenses increased \$3.9 million, or 18.4%, to \$24.8 million in 2025 compared to \$21.0 million in 2024. The increase was primarily due to the impact of infrastructure and technology purchases and other capitalized costs to support our growth.

Change in Fair Value of Acquisition Contingent Earn-outs

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|--|------------------------------------|-----------|-----------------------|
| | 2025 | 2024 | |
| Change in fair value of acquisition contingent earn-outs | \$ (17,000) | \$ 17,500 | \$ (34,500) (197.1)% |

Change in fair value of acquisition contingent earn-outs is due entirely to adjustments to the fair values of our acquisition contingent consideration related to the 2024 acquisition of ecosio GmbH (“ecosio”). Cash Earn-outs and Stock Earn-outs of \$12,200 and \$(29,200), respectively, were recorded during the year ended December 31, 2025. Cash Earn-outs and Stock Earn-outs of \$3,365 and \$14,135, respectively, were recorded during the year ended December 31, 2024. For further information, refer to Note 3, “Acquisitions” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Other Operating Expense (Income), net

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|---------------------------------------|------------------------------------|----------|-----------------------|
| | 2025 | 2024 | |
| Other operating expense (income), net | \$ 12,570 | \$ (175) | \$ 12,745 (7,282.9)% |

Other operating expense (income), net increased to \$12.6 million of expense in 2025 compared to \$(0.2) million of income in 2024. This change was primarily driven by \$10.3 million related to legal costs associated with a pending legal claim and \$1.6 million in foreign currency transaction losses incurred. For further information regarding the referenced pending legal claim, refer to Note 14, “Commitments and Contingencies” consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K. Other operating expense (income), net for the year ended December 31, 2024 was primarily comprised of a \$2.5 million decrease in the contingent consideration liability associated with our 2021 acquisition of Tellutax, LLC (“Tellutax”), which was partially offset by \$1.2 million of transaction costs associated with our recent acquisitions, and \$1.1 million in foreign currency losses.

Interest Expense (Income), Net

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|------------------------|------------------------------------|------------|-----------------------|
| | 2025 | 2024 | |
| Interest income, net | \$ (5,248) | \$ (4,137) | \$ (1,111) 26.9 % |

Interest income, net was \$5.2 million for 2025, compared to \$4.1 million in 2024. This change was mainly due to several factors: (i) a \$0.9 million increase in interest income primarily due to increased dollars invested during the period, (ii) a reduction of \$0.4 million of interest expense related to the valuation of our prior year foreign currency forward contracts due to market fluctuations, and (iii) a \$0.9 million decrease in interest costs related to the repayment of our Term Loan, which was fully repaid in the second quarter of 2024. These interest income increases were partially offset by \$0.7 million in interest expense and a \$0.4 million increase in deferred financing costs related to our Notes.

Income Tax Expense

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change |
|------------------------|------------------------------------|-----------|-----------------------|
| | 2025 | 2024 | |
| Income tax expense | \$ 368 | \$ 54,638 | \$ (54,270) (99.3)% |

Income tax expense was \$0.4 million and \$54.6 million for 2025 and 2024, respectively. The decrease in tax expense was primarily driven by reduced increases in valuation allowances on net deferred tax assets established for U.S. and certain foreign jurisdictions, favorable adjustments for nondeductible purchase commitment and contingent consideration liabilities, partially offset by increased pre-tax income and reduced favorable impact of tax benefits on exercises vesting of stock awards, net of increased limitations on deductions of certain employees’ compensation under Internal Revenue Code (“IRC”) Section 162(m).

During the fourth quarter of 2024, we established a valuation allowance against our U.S. deferred tax assets as it was determined to be more likely than not that these assets will not be realized. This determination was made based on weighing all negative evidence, specifically cumulative losses recognized in our U.S. entity over the past three years. These cumulative losses were mainly due to significant windfall tax benefits realized from the exercises of stock options during the fourth quarter of 2024, driven by an increase in our Class A common stock price during that period. Despite positive evidence of projected future business profitability in our U.S. entity, management determined that this did not outweigh the negative evidence to allow us to conclude it was more likely than not the deferred tax assets would be realized and therefore we recorded a full valuation allowance against these U.S. deferred tax assets as of December 31, 2024, which we have maintained through December 31, 2025.

Seasonality and Quarterly Trends

We have historically signed a higher percentage of software subscription agreements with new and existing customers in the fourth quarter of each year. This can be attributed to buying patterns typical in the software industry. Since most of our customer agreement terms are annual, agreements initially entered into in the fourth quarter will generally come up for renewal at that same time in subsequent years. As a result, customer agreement cancellations, or customer usage tier true-ups, may have a higher concentration during the end of the year. This seasonality is reflected in our revenues, though the impact to overall annual or quarterly revenues is typically minimal since we recognize subscription revenue ratably over the term of the customer contract. Additionally, this seasonality is reflected in commission expenses to our sales personnel and our partners.

Our quarterly revenues have generally increased over the last two years primarily due to new sales to existing customers and sales to new customers. However, the pace of our revenue growth has not been consistent. Many of our customers are enterprise and large corporations and their purchase patterns can be sensitive to timing of budget decisions. Depending on such timing, these decisions can create volatility in the amount of business transacted by our sales team and the amount of revenues recorded in each quarter. As such, certain periods may be less comparable due to the timing of our customers purchase patterns.

Quarterly fluctuations in our costs and expenses overall primarily reflect changes in our headcount, infrastructure, and sales and marketing investments, and other costs related to certain technology development projects and the development and scaling of our cloud solutions. In particular, research and development expenses have fluctuated based on the timing of personnel additions, capitalized costs and related spending on product development. Increases in our selling and marketing expenses primarily reflect our current and past investments related to the expansion of our brand awareness and product innovation. We have also invested in acquisitions and product innovation to expand our product portfolio. We anticipate our operating expenses will increase in future periods as we invest to support the ongoing expansion of our business.

Historical patterns should not be considered a reliable indicator of our future performance.

Liquidity and Capital Resources

As of December 31, 2025, we had unrestricted cash and cash equivalents of \$314.0 million. Our primary sources of capital include sales of our solutions, proceeds from bank lending facilities, and the offering of existing or future classes of stock.

Historical Cash Flows

Years Ended December 31, 2025 and 2024

The following table presents a summary of our cash flows for the periods indicated:

| (Dollars in thousands) | For the year ended December 31, | | Year-Over-Year Change | |
|--|------------------------------------|------------|-----------------------|----------|
| | 2025 | 2024 | | |
| Net cash provided by operating activities | \$ 165,543 | \$ 164,821 | \$ 722 | 0.4 % |
| Net cash used in investing activities | (123,745) | (158,151) | 34,406 | 21.8 % |
| Net cash provided by (used in) financing activities | (32,782) | 231,257 | (264,039) | (114.2)% |
| Effect of foreign exchange rate changes | 3,213 | (1,012) | 4,225 | 417.5 % |
| Net increase in cash, cash equivalents and restricted cash | \$ 12,229 | \$ 236,915 | \$ (224,686) | |

Operating Activities. Net cash provided by operating activities of \$165.5 million for the year ended December 31, 2025 consisted of net income of \$7.2 million, adjusted for non-cash charges of \$144.9 million, and cash inflows of \$13.7 million related to changes in operating assets and liabilities, which were partially offset by \$0.2 million in payments for purchase commitment and contingent consideration liabilities in excess of their initial fair value. The change in operating assets and liabilities was primarily driven by an increase in deferred revenue due to customer growth during the period, which was partially offset by increases in accounts receivable, prepaid expenses and other current assets, as well as decreases in accrued and deferred compensation as a result of the timing of cash collections and payments.

Net cash provided by operating activities of \$164.8 million for the twelve months ended December 31, 2024 consisted of a net loss of \$52.7 million, adjusted for non-cash charges of \$205.7 million, and cash inflows of \$16.2 million from changes in operating assets and liabilities. These items were partially offset by \$4.4 million in payments for purchase commitment and contingent consideration liabilities in excess of their initial fair value. The change in operating assets and liabilities was primarily driven by an increase in deferred revenue due to customer growth during the period, which was partially offset by increases in accounts receivable, as well as prepaid expenses and other current assets, as a result of the timing of cash collections and payments.

Investing Activities. Net cash used in investing activities of \$123.7 million for the twelve months ended December 31, 2025 consisted of investments in property and equipment, and capitalized software of \$96.2 million and \$21.7 million, respectively, related to investments in infrastructure, new products, and enhancements to existing products. During the second quarter of 2025, we invested \$15.0 million in the Kintsugi Investment. Additionally, we invested \$2.4 million in available-for-sale investment securities, which was more than offset by proceeds of \$11.6 million received during the period for sales and maturities in our investment securities. For further information on the Kintsugi Investment, refer to Note 4, "Investments" to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Net cash used in investing activities of \$158.2 million for the twelve months ended December 31, 2024 primarily consisted of investments in property and equipment, and capitalized software of \$65.8 million and \$21.3 million, respectively, related to investments in infrastructure, new products, and enhancements to existing products, and payments of \$71.8 million related to acquisitions completed during the second and third quarters of 2024. In addition, we invested \$16.0 million in available-for-sale investment securities, which was more than offset by proceeds of \$16.7 million received during the period for sales and maturities in our investment securities. For further information on our acquisitions, refer to Note 3, "Acquisitions" to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Financing Activities. Net cash used in financing activities of \$32.8 million for the twelve months ended December 31, 2025 consisted of \$29.0 million in payments for taxes related to the net share settlement of stock-based awards as well as a \$5.6 million decrease in customer funds obligations, primarily due to timing differences between receipt of funds from customers and taxing jurisdiction withdrawals of these funds, and \$10.1 million paid for repurchases of shares of our Class A common stock through our Repurchase Program. These outflows were partly offset by \$7.7 million in proceeds from the exercise of stock options and \$4.2 million in proceeds from the purchase of stock under our employee stock purchase plan ("ESPP").

Net cash provided by financing activities of \$231.3 million for the twelve months ended December 31, 2024 consisted of \$345.0 million in gross proceeds from our Notes, a \$9.7 million increase in customer funds obligations, primarily due to timing differences between receipt of funds from customers and taxing jurisdiction withdrawals of these funds, \$8.5 million in proceeds from the exercise of stock options, and \$3.0 million in proceeds from the purchase of stock under our ESPP. These transactions were partially offset by \$46.9 million for the repayment of the Term Loan, \$42.4 million for the purchase of the Capped Call Transactions, \$21.5 million in payments for taxes related to the net share settlement of stock-based awards, \$12.5 million for payments related to deferred financing costs, \$7.6 million for payments on purchase commitment and contingent consideration liabilities, and \$3.9 million in payments of other third-party debt.

Sources of Credit

As of December 31, 2025, we had a credit agreement with a banking syndicate (the “Credit Agreement”) that provides a \$300.0 million revolving facility (the “Line of Credit”).

The Line of Credit expires in March 2029. We are required to pay a quarterly fee on the difference between the \$300.0 million allowed maximum borrowings and the unpaid principal balance outstanding under the Line of Credit at the applicable rate. Borrowings under the Credit Agreement will bear interest, at our option, at either the bank base rate plus an applicable margin (the “New Base Rate Option”) or Secured Overnight Financing Rate (“SOFR”) plus an applicable margin (the “SOFR Option”). At December 31, 2025, the New Base Rate Option and the SOFR Option applicable to the Line of Credit were 7.25% and 5.37%, respectively. There were no outstanding borrowings under the Line of Credit at December 31, 2025 or 2024.

Outstanding borrowings under the Credit Agreement are collateralized by nearly all of our assets and contain financial and operating covenants. We were in compliance with these covenants at December 31, 2025. The First Amendment to the Amended and Restated Credit Agreement, dated November 14, 2025, permits us to make dividends or distributions, including share repurchases, provided (i) there is no event of default and (ii) the pro forma secured debt leverage ratio is less than 2.50 to 1.00.

On April 26, 2024, we closed the Notes offering. The net proceeds from the offering of the Notes were \$333.7 million, after deducting the initial purchasers’ discount and commissions, and other transaction and offering expenses.

For further information on our indebtedness, refer to Note 10, “Debt” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Repurchase Program

On October 30, 2025, the Board authorized a stock repurchase program for up to \$150.0 million of our outstanding shares of Class A common stock (the “Repurchase Program”). During 2025, we repurchased 503,890 shares of our Class A common stock for an aggregate amount of \$10.1 million and have \$139.9 million remaining for purchases under our authorization.

The timing and actual number of shares repurchased under the Repurchase Program depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through open market purchases or privately negotiated transactions, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. Our Repurchase Program has no termination date and may be suspended, delayed, discontinued, or accelerated at any time. Any repurchased shares will be available for use in connection with our stock plans and for other corporate purposes. For further information on our Repurchase Program,

refer to Note 11, “Stockholders’ Equity” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Material Future Cash Obligations and Commercial Commitments

Cash Requirements. We believe that our existing cash resources and our Line of Credit will be sufficient to meet our capital requirements and fund our operations for the next 12 months as well as our longer-term liquidity needs. If an early conversion notice occurs on the Notes, we have the option to pay cash, shares of our Class A common stock, or a combination of both. We expect to have access to additional sources of funds in the capital markets, and we may, from time to time, seek additional capital through a combination of additional debt and/or equity financings. If we were to raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders. Additional financing may not be available at all, or in amounts or on terms unacceptable to us.

Funds Held for Customers and Customer Funds Obligations. We maintain trust accounts with financial institutions, to accumulate cash from our customers that outsource their tax remittance functions to us. We have legal ownership over the accounts utilized for this purpose. Funds held for customers represent cash and cash equivalents that, based upon our intent, are restricted solely for satisfying the obligations to remit funds relating to our tax remittance services. Funds held for customers are not commingled with our operating funds. Customer funds obligations represent our contractual obligations to remit collected funds to satisfy customer tax payments. Customer funds obligations are reported as a current liability on our consolidated balance sheets as the obligations are expected to be settled within one year. Cash flows related to changes in customer funds obligations are presented as cash flows from financing activities.

Contractual Obligations and Commitments. Our contractual obligations and commitments as of December 31, 2025 are summarized in the table below:

| (In thousands) | Payments Due by Year | | | | |
|--------------------------------|----------------------|------------------|-------------------|-------------------|-------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Notes ⁽¹⁾ | \$ 353,626 | \$ 2,588 | \$ 5,175 | \$ 345,863 | \$ — |
| Financing lease liabilities | 115 | 59 | 56 | — | — |
| Operating lease liabilities | 13,717 | 4,561 | 8,784 | 372 | — |
| Cash Earn-outs ⁽²⁾ | 86,600 | 19,400 | 67,200 | — | — |
| Stock Earn-outs ⁽²⁾ | 18,900 | 6,500 | 12,400 | — | — |
| Purchase obligations | 94,905 | 62,254 | 30,339 | 2,312 | — |
| Total | \$ 567,863 | \$ 95,362 | \$ 123,954 | \$ 348,547 | \$ — |

⁽¹⁾ The table presents the principal payment made on the maturity date of the Notes. On November 1, 2028, and thereafter, holders have the right, but not the obligation, to convert their Notes. Upon conversion, we will pay or deliver, as applicable, cash, shares of Class A common stock or a combination of cash and shares of Class A common stock at our election. Future interest payments related to the Notes of \$8.6 million are included in the table. For further information, refer to Note 10, “Debt” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

⁽²⁾ We have contingent consideration liabilities for Cash Earn-outs and Stock Earn-outs related to the 2024 acquisition of ecosio. For further information, refer to Note 3, “Acquisitions” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

As of December 31, 2025, we have no outstanding borrowings under the Line of Credit. The Notes are due in May 2029. We expect to continue to fund debt maturities and interest payments with cash flows generated from operations, existing cash and cash equivalents, or proceeds from additional financing. For further information on our debt obligations, refer to Note 10, “Debt” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

In connection with the pricing of the Notes on April 23, 2024, we entered into Capped Call Transactions. As of December 31, 2025, all of the Capped Call Transactions remained outstanding. For further information, refer to Note 10, “Debt” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Key Business Metrics

We regularly review the metrics identified below to evaluate growth trends, measure our performance, formulate financial projections and make strategic decisions.

Annual Recurring Revenue (“ARR”) and Average Annual Revenue Per Customer (“AARPC”).

We derive the vast majority of our revenue from recurring software subscriptions. We believe ARR provides us with visibility to our projected software subscription revenue in order to evaluate the health of our business. Because we recognize subscription revenue ratably, we believe investors can use ARR to measure our expansion of existing customer revenues, new customer activity, and as an indicator of future software subscription revenues. ARR is based on monthly recurring revenue (“MRR”) from software subscriptions for the most recent month at period end, multiplied by twelve. MRR is calculated by dividing the software subscription price, inclusive of discounts, by the number of subscription covered months. MRR only includes customers with MRR at the end of the last month of the measurement period.

AARPC represents average annual revenue per customer and is calculated by dividing ARR by the number of software subscription customers at the end of the respective period:

| (Dollars in millions) | As of December 31, | | Year-Over-Year Change |
|--------------------------|--------------------|----------|-----------------------|
| | 2025 | 2024 | |
| Annual Recurring Revenue | \$ 671.0 | \$ 603.1 | \$ 67.9 11.3 % |

ARR increased by \$67.9 million, or 11.3%, at December 31, 2025, as compared to December 31, 2024. The increase was primarily driven by \$31.8 million of growth in revenues from existing customers through their expanded use of our solutions as well as price increases, and \$36.1 million in growth of subscriptions of our solutions to new customers.

At December 31, 2025, we had 4,867 direct customers and approximately \$137,867 of AARPC. At December 31, 2024, we had 4,915 direct customers and approximately \$122,706 of AARPC. The increase in AARPC was primarily due to expansion of usage by existing customers and adding new customers through organic growth.

Net Revenue Retention Rate (“NRR”).

We believe that our NRR provides insight into our ability to retain and grow revenue from our customers, as well as their potential long-term value to us. We also believe it demonstrates to investors our ability to expand existing customer revenues, which is one of our key growth strategies. Our NRR refers to the ARR expansion during the 12 months of a reporting period for all customers who were part of our customer base at the beginning of the reporting period. Our NRR calculation takes into account any revenue lost from departing customers or customers who have downgraded or reduced usage, as well as any revenue expansion from migrations, new licenses for additional products or contractual and usage-based price changes.

| | As of December 31, | |
|----------------------------|--------------------|-------|
| | 2025 | 2024 |
| Net Revenue Retention Rate | 105 % | 109 % |

NRR decreased by 400 basis points at December 31, 2025 as compared to December 31, 2024. The decrease was largely due to lower growth of additional entitlements as our customers’ annual growth has slowed, keeping them within

current bands of usage, slightly higher customer attrition, as well as delayed deal activity seen for some of our large multinational customers due to the macroeconomic environment.

Gross Revenue Retention Rate (“GRR”).

We believe our GRR provides insight into and demonstrates to investors our ability to retain revenues from our existing customers. Our GRR refers to how much of our MRR we retain each month after reduction for the effects of revenues lost from departing customers or those who have downgraded or reduced usage. GRR does not take into account revenue expansion from migrations, new licenses for additional products or contractual and usage-based price changes. GRR does not include revenue reductions resulting from cancellations of customer subscriptions that are replaced by new subscriptions associated with customer migrations to a newer version of the related software solution.

| | <u>As of December 31,</u> | |
|------------------------------|---------------------------|-------------|
| | <u>2025</u> | <u>2024</u> |
| Gross Revenue Retention Rate | 94 % | 95 % |

GRR at December 31, 2025 decreased by 100 basis points from December 31, 2024, due to slightly higher customer attrition primarily concentrated in our smaller customer accounts during the year.

Adjusted EBITDA and Adjusted EBITDA Margin.

We believe that Adjusted EBITDA is a measure widely used by securities analysts and investors to evaluate the financial performance of our company and other companies. We believe that Adjusted EBITDA and Adjusted EBITDA margin are useful as supplemental measures to evaluate our overall operating performance as they measure business performance focusing on cash related charges and because they are important metrics to lenders under our credit agreement. We define Adjusted EBITDA as net income or loss before interest (including adjustments to the settlement value of deferred purchase commitment liabilities), income tax expense or benefit, depreciation, and amortization, as adjusted to exclude charges for stock-based compensation expense, amortization of cloud computing arrangement implementation costs, severance expense, acquisition contingent consideration, changes in the fair value of acquisition contingent earn-outs, and transaction costs. Adjusted EBITDA margin represents Adjusted EBITDA divided by total revenues for the same period. For purposes of comparison, our net income (loss) was \$7.2 million and \$(52.7) million in 2025 and 2024, respectively, while our net income (loss) margin was 1.0% and (7.9)% over the same periods, respectively. The following schedules reconcile Adjusted EBITDA and Adjusted EBITDA margin to net loss, the most closely directly comparable GAAP financial measure.

| (Dollars in thousands) | For the year ended | |
|--|--------------------|-------------------|
| | December 31, | |
| | 2025 | 2024 |
| Adjusted EBITDA: | | |
| Net income (loss) | \$ 7,211 | \$ (52,729) |
| Interest expense (income), net ⁽¹⁾ | (5,248) | (4,137) |
| Income tax expense | 368 | 54,638 |
| Depreciation and amortization – property and equipment | 24,812 | 20,953 |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | 69,842 | 59,302 |
| Amortization of acquired intangible assets – selling and marketing expense | 2,277 | 2,478 |
| Amortization of cloud computing implementation costs – general and administrative expense | 3,738 | 4,007 |
| Stock-based compensation expense | 57,763 | 47,425 |
| Severance expense | 6,823 | 3,048 |
| Acquisition contingent consideration | 200 | (2,575) |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 |
| Transaction costs ⁽²⁾ | 10,754 | 2,032 |
| Adjusted EBITDA | \$ 161,540 | \$ 151,942 |
| Adjusted EBITDA Margin: | | |
| Total revenues | \$ 748,444 | \$ 666,776 |
| Adjusted EBITDA margin | 21.6 % | 22.8 % |

⁽¹⁾ The year ended December 31, 2024 includes \$423 for the change in the settlement value of a deferred purchase commitment liability recorded as interest expense.

⁽²⁾ The year ended December 31, 2025 includes legal expenses associated with pending litigation related to claims we have made against a competitor. For further information, refer to Note 14, “Commitments and Contingencies” to our consolidated financial statements, beginning on page F-1 of this Annual Report on Form 10-K.

Adjusted EBITDA increased \$9.6 million in 2025 in comparison to 2024 primarily driven by an increase of \$69.8 million in non-GAAP gross profit, which was partially offset by a \$23.7 million increase in non-GAAP selling and marketing expense, a \$21.1 million increase in non-GAAP general and administrative expense, and a \$14.9 million increase in non-GAAP research and development expense.

Adjusted EBITDA margin decreased in 2025 by 120 basis points in comparison to 2024 primarily due to strategic investments into information technology infrastructure, business and re-engineering processes and other continuing initiatives related to our 2024 acquisitions.

Free Cash Flow and Free Cash Flow Margin.

We use free cash flow as a critical measure in the evaluation of liquidity in conjunction with related GAAP amounts. We also use this measure when considering available cash, including for decision-making purposes related to dividends and discretionary investments. We consider free cash flow to be an important measure for investors because it measures the amount of cash we generate from our operations after our capital expenditures and capitalization of software development costs. In addition, we base certain of our forward-looking estimates and budgets on free cash flow and free cash flow margin. We define free cash flow as the total of net cash provided by operating activities, less purchases of property and equipment and capitalized software. We define free cash flow margin as free cash flow divided by total revenues for the same period.

Our net cash provided by operating activities was \$165.5 million and \$164.8 million in 2025 and 2024, respectively, while our operating cash flow margin was 22.1% and 24.7% over the same periods, respectively. The following schedule reconciles free cash flow and free cash flow margin to net cash provided by operating activities, the most closely directly comparable GAAP financial measure.

| (Dollars in thousands) | For the year ended | |
|--|--------------------|------------------|
| | December 31, | |
| | 2025 | 2024 |
| Free Cash Flow: | | |
| Cash provided by operating activities | \$ 165,543 | \$ 164,821 |
| Property and equipment additions | (96,236) | (65,769) |
| Capitalized software additions | (21,718) | (21,344) |
| Free cash flow | <u>\$ 47,589</u> | <u>\$ 77,708</u> |
| Free Cash Flow Margin: | | |
| Total revenues | \$ 748,444 | \$ 666,776 |
| Free cash flow margin | <u>6.4 %</u> | <u>11.7 %</u> |

Free cash flow decreased by \$30.1 million in 2025 compared to 2024. This decrease was primarily driven by \$30.8 million in additional investments in property and equipment, and capitalized software related to investments in infrastructure, new products, and enhancements to existing products, along with timing of collections from customers. Free cash flow margin decreased in 2025 to 6.4% compared to 11.7% in 2024.

Use and Reconciliation of Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we have calculated Adjusted EBITDA, Adjusted EBITDA margin, free cash flow, free cash flow margin, non-GAAP cost of revenues, non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expense, non-GAAP selling and marketing expense, non-GAAP general and administrative expense, non-GAAP operating income, and non-GAAP net income, which are each non-GAAP financial measures. We have provided tabular reconciliations of each of these non-GAAP financial measures to its most directly comparable GAAP financial measure.

We use these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, and to evaluate financial performance. We use non-GAAP financial measures of free cash flow and free cash flow margin to evaluate liquidity. Our non-GAAP financial measures are presented as supplemental disclosure as we believe they provide useful information to investors and others in understanding and evaluating our results, prospects, and liquidity period-over-period without the impact of certain items that do not directly correlate to our operating performance and that may vary significantly from period to period for reasons unrelated to our operating performance, as well as comparing our financial results to those of other companies. Our definitions of these non-GAAP financial measures may differ from similarly titled measures presented by other companies, and therefore, comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, the financial information prepared in accordance with GAAP financial measures, and should be read in conjunction with the consolidated financial statements included in this Annual Report on Form 10-K.

Additional Non-GAAP Financial Measures

In addition to Adjusted EBITDA, Adjusted EBITDA margin, free cash flow, and free cash flow margin calculated and discussed in “Key Business Metrics,” the following additional non-GAAP financial measures are calculated and presented further below:

- Non-GAAP cost of revenues, software subscriptions is determined by adding back to GAAP cost of revenues, software subscriptions, the stock-based compensation expense, and depreciation and amortization of capitalized software and acquired intangible assets included in cost of subscription revenues for the respective periods.
- Non-GAAP cost of revenues, services is determined by adding back to GAAP cost of revenues, services, the stock-based compensation expense included in cost of revenues, services for the respective periods.

- Non-GAAP gross profit is determined by adding back to GAAP gross profit the stock-based compensation expense, and depreciation and amortization of capitalized software and acquired intangible assets included in cost of subscription revenues for the respective periods.
- Non-GAAP gross margin is determined by dividing non-GAAP gross profit by total revenues for the respective periods.
- Non-GAAP research and development expense is determined by adding back to GAAP research and development expense the stock-based compensation expense, and transaction costs related to acquired technology included in research and development expense for the respective periods.
- Non-GAAP selling and marketing expense is determined by adding back to GAAP selling and marketing expense the stock-based compensation expense and the amortization of acquired intangible assets included in selling and marketing expense for the respective periods.
- Non-GAAP general and administrative expense is determined by adding back to GAAP general and administrative expense the stock-based compensation expense, amortization of cloud computing implementation costs and severance expense included in general and administrative expense for the respective periods.
- Non-GAAP operating income is determined by adding back to GAAP loss or income from operations the stock-based compensation expense, depreciation and amortization of capitalized software and acquired intangible assets included in cost of subscription revenues, amortization of acquired intangible assets included in selling and marketing expense, amortization of cloud computing implementation costs in general and administrative expense, severance expense, acquisition contingent consideration, changes in the fair value of acquisition contingent earn-outs, and transaction costs, included in GAAP loss or income from operations for the respective periods.
- Non-GAAP net income is determined by adding back to GAAP net income or loss the income tax benefit or expense, stock-based compensation expense, depreciation and amortization of capitalized software and acquired intangible assets included in cost of subscription revenues, amortization of acquired intangible assets included in selling and marketing expense, amortization of cloud computing implementation costs in general and administrative expense, severance expense, acquisition contingent consideration, changes in the fair value of acquisition contingent earn-outs, adjustments to the settlement value of deferred purchase commitment liabilities recorded as interest expense, and transaction costs, included in GAAP net income or loss for the respective periods to determine non-GAAP loss or income before income taxes. Non-GAAP income or loss before income taxes is then adjusted for income taxes calculated using the respective statutory tax rates for applicable jurisdictions, which for purposes of this determination were assumed to be 25.5%.

We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view these non-GAAP financial measures in conjunction with the related GAAP financial measures.

The following schedules reflect our additional non-GAAP financial measures and reconciles our additional non-GAAP financial measures to the related GAAP financial measures.

| | For the year ended December 31, | |
|---|------------------------------------|------------|
| | 2025 | 2024 |
| (Dollars in thousands) | | |
| Non-GAAP cost of revenues, software subscriptions | \$ 112,145 | \$ 111,929 |
| Non-GAAP cost of revenues, services | \$ 73,965 | \$ 62,303 |
| Non-GAAP gross profit | \$ 562,334 | \$ 492,544 |
| Non-GAAP gross margin | 75.1 % | 73.9 % |
| Non-GAAP research and development expense | \$ 71,273 | \$ 56,395 |
| Non-GAAP selling and marketing expense | \$ 178,595 | \$ 154,892 |
| Non-GAAP general and administrative expense | \$ 149,310 | \$ 128,224 |
| Non-GAAP operating income | \$ 136,728 | \$ 130,989 |
| Non-GAAP net income | \$ 105,772 | \$ 100,984 |

| | For the year ended December 31, | |
|--|------------------------------------|-------------------|
| | 2025 | 2024 |
| (Dollars in thousands) | | |
| Non-GAAP Cost of Revenues, Software Subscriptions: | | |
| Cost of revenues, software subscriptions | \$ 187,816 | \$ 175,580 |
| Stock-based compensation expense | (5,829) | (4,349) |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | (69,842) | (59,302) |
| Non-GAAP cost of revenues, software subscriptions | \$ 112,145 | \$ 111,929 |
| Non-GAAP Cost of Revenues, Services: | | |
| Cost of revenues, services | \$ 79,027 | \$ 65,071 |
| Stock-based compensation expense | (5,062) | (2,768) |
| Non-GAAP cost of revenues, services | \$ 73,965 | \$ 62,303 |
| Non-GAAP Gross Profit: | | |
| Gross profit | \$ 481,601 | \$ 426,125 |
| Stock-based compensation expense | 10,891 | 7,117 |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | 69,842 | 59,302 |
| Non-GAAP gross profit | \$ 562,334 | \$ 492,544 |
| Non-GAAP Gross Margin: | | |
| Total revenues | \$ 748,444 | \$ 666,776 |
| Non-GAAP gross margin | 75.1 % | 73.9 % |
| Non-GAAP Research and Development Expense: | | |
| Research and development expense | \$ 83,715 | \$ 66,666 |
| Stock-based compensation expense | (12,442) | (9,548) |
| Transaction costs | — | (723) |
| Non-GAAP research and development expense | \$ 71,273 | \$ 56,395 |
| Non-GAAP Selling and Marketing Expense: | | |
| Selling and marketing expense | \$ 196,488 | \$ 170,574 |
| Stock-based compensation expense | (15,616) | (13,204) |
| Amortization of acquired intangible assets – selling and marketing expense | (2,277) | (2,478) |
| Non-GAAP selling and marketing expense | \$ 178,595 | \$ 154,892 |

| (Dollars in thousands) | For the year ended December 31, | |
|--|------------------------------------|-------------------|
| | 2025 | 2024 |
| Non-GAAP General and Administrative Expense: | | |
| General and administrative expense | \$ 178,685 | \$ 152,835 |
| Stock-based compensation expense | (18,814) | (17,556) |
| Severance expense | (6,823) | (3,048) |
| Amortization of cloud computing implementation costs – general and administrative expense | (3,738) | (4,007) |
| Non-GAAP general and administrative expense | \$ 149,310 | \$ 128,224 |
| Non-GAAP Operating Income: | | |
| Income (loss) from operations | \$ 2,331 | \$ (2,228) |
| Stock-based compensation expense | 57,763 | 47,425 |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | 69,842 | 59,302 |
| Amortization of acquired intangible assets – selling and marketing expense | 2,277 | 2,478 |
| Amortization of cloud computing implementation costs – general and administrative expense | 3,738 | 4,007 |
| Severance expense | 6,823 | 3,048 |
| Acquisition contingent consideration | 200 | (2,575) |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 |
| Transaction costs ⁽¹⁾ | 10,754 | 2,032 |
| Non-GAAP operating income | \$ 136,728 | \$ 130,989 |
| Non-GAAP Net Income: | | |
| Net income (loss) | \$ 7,211 | \$ (52,729) |
| Income tax expense | 368 | 54,638 |
| Stock-based compensation expense | 57,763 | 47,425 |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | 69,842 | 59,302 |
| Amortization of acquired intangible assets – selling and marketing expense | 2,277 | 2,478 |
| Amortization of cloud computing implementation costs – general and administrative expense | 3,738 | 4,007 |
| Severance expense | 6,823 | 3,048 |
| Acquisition contingent consideration | 200 | (2,575) |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 |
| Transaction costs ⁽¹⁾ | 10,754 | 2,032 |
| Change in settlement value of deferred purchase commitment liability – interest expense | — | 423 |
| Non-GAAP income before income taxes | 141,976 | 135,549 |
| Income tax adjustment at statutory rate ⁽²⁾ | (36,204) | (34,565) |
| Non-GAAP net income | \$ 105,772 | \$ 100,984 |

⁽¹⁾ The year ended December 31, 2025 includes legal expenses associated with pending litigation related to claims we have made against a competitor. For further information, refer to Note 14, “Commitments and Contingencies” to our consolidated financial statements, beginning on page F-1 of this Annual Report on Form 10-K.

⁽²⁾ Non-GAAP income before income taxes is adjusted for income taxes using the respective statutory tax rates for applicable jurisdictions, which for purposes of this determination were assumed to be 25.5%.

Critical Accounting Estimates

The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. These estimates, assumptions and judgments are necessary because future events and their effects on our consolidated financial statements cannot be determined with certainty and are made based on our historical experience and on other assumptions that we believe to be reasonable under the circumstances. These estimates may change as new events occur or additional information is obtained, and we may periodically be faced with uncertainties, the outcomes of which are not within our control and may not be known for a prolonged period of time. Because the use of estimates is inherent in the financial reporting process, actual results could materially differ from those estimates.

The estimates discussed below are considered by management to be critical to an understanding of our consolidated financial statements because their application places the most significant demands on management’s judgment. Specific risks for these critical accounting estimates are described in the following sections. For all of these estimates, we caution

that future events rarely develop exactly as forecast, and such estimates routinely require adjustment. We have reviewed these critical accounting estimates and related disclosures with our Audit Committee.

Our discussion of critical accounting estimates is intended to supplement, not duplicate, our summary of significant accounting policies so that readers will have greater insight into the uncertainties involved in applying our critical accounting policies and estimates. For a summary of our significant accounting policies, see Note 1, “Summary of Significant Accounting Policies” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Revenue Recognition

We account for our revenue in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, which requires judgment and the use of estimates. Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those products or services. Our most critical judgments required in applying ASC 606 relate to the identification of performance obligations.

Identification of the Performance Obligations

We enter into contracts with customers that may include promises to transfer various combinations of software subscriptions and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Software subscriptions include the related software, consisting of both on-premise and cloud-based software, tax content updates, and product support. The updates and support, which are part of the subscription agreement, are essential to the continued utility of the software. Therefore, we have determined that the software, updates, and support should be combined into a single performance obligation.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. Vertex and its subsidiaries are generally taxed at the corporate level, and the income tax provision or benefit is based on income or loss sourced to the U.S. federal and state jurisdictions as well as foreign jurisdictions at the tax rates applicable in those jurisdictions.

We account for income taxes using the asset and liability method resulting in the recognition of deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in our consolidated financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law and rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, the determination of which requires management judgement and which could result in a different result should our expectations of the recovery or settlement timing differ from the actual events. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The effects of future changes in tax laws or rates are not anticipated.

A valuation allowance is recorded when management determines it is more likely than not that some or all the deferred tax assets will not be realized. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to realize our deferred tax assets, we rely on, in order of increasing subjectivity, taxable income in prior carryback years, the future reversals of existing taxable temporary differences, tax planning strategies and forecasted taxable income using historical and projected future operating results.

We record uncertain tax positions in accordance with ASC 740, *Income Taxes*, on the basis of a two-step process requiring judgement whereby: (i) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and (ii) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We record interest related to underpayment of income taxes as interest expense and penalties as other operating expenses in the consolidated statements of comprehensive income (loss).

We assess our income tax positions and record tax benefits or expense based upon our evaluation of the facts, circumstances, and information available at the reporting date. Variations in the actual outcome of these future tax consequences could materially impact the consolidated financial statements.

Business Combination Fair Value Estimates

The results of a business acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in tangible and intangible assets acquired, liabilities assumed, consideration transferred, and amounts attributed to noncontrolling interests of an acquired business being recorded at their estimated fair values on the acquisition date, which may be considered preliminary and subject to adjustment during the measurement period, which is up to one year from the acquisition date (the “Measurement Period”). Any excess consideration over the fair value of assets acquired and liabilities assumed is recorded as goodwill. Determining the fair value of these amounts requires significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates, royalty rates, and selection of comparable companies. We continue to collect information and reevaluate these estimates and assumptions periodically and record any adjustments to preliminary estimates to goodwill, provided we are within the Measurement Period, with any adjustments to amortization of new or previously recorded assets and identifiable intangibles being recorded to the consolidated statements of comprehensive income (loss) in the period in which they arise. In addition, if outside of the Measurement Period, any subsequent adjustments to the acquisition date fair values are reflected in the consolidated statements of comprehensive income (loss) in the period in which they arise.

We use our best estimates, information and assumptions available at the acquisition date to assign preliminary fair values to the assets acquired, liabilities assumed, consideration transferred, and amounts attributed to noncontrolling interests. We engage the assistance of third-party valuation specialists to perform valuations of these amounts and to assist us in concluding on these fair value measurements. The resulting fair values and useful lives assigned to acquisition-related assets impact the amount and timing of future amortization expense.

These estimates are inherently uncertain and unpredictable, and if different estimates were used then the purchase price for the respective acquisition could be allocated to the acquired assets and liabilities differently from the allocation that we have made. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates, and if such events occur, we may be required to record a charge against the value ascribed to an acquired asset, an increase in the amounts recorded for assumed liabilities, or an impairment of some or all of the goodwill.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is included in Note 1, “Summary of Significant Accounting Policies” to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We had unrestricted cash and cash equivalents of \$314.0 million and \$296.1 million as of December 31, 2025, and 2024, respectively. We had investments of \$9.2 million as of December 31, 2024. We maintain our cash and cash equivalents in deposit accounts, money market funds with various financial institutions, and in short duration fixed income securities. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of these investments as a result of changes in interest rates. Increases or declines in interest rates would be expected to augment or reduce future interest income by an insignificant amount.

The Notes have a fixed annual interest rate; therefore, we have no financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change. Additionally, the fair value of the Notes can be affected when the market price of our Class A common stock fluctuates. We carry the Notes at principal value less unamortized issuance costs on our consolidated balance sheets, and we present fair value for required disclosure purposes only.

Borrowings under our Credit Agreement will bear interest, at our option, at either the New Base Rate Option or the SOFR Option. At December 31, 2025, the New Base Rate Option and SOFR Option applicable to the Line of Credit borrowings were 7.25% and 5.37%, respectively. Because the interest rates applicable to borrowings under the Credit Agreement are variable, we are exposed to market risk from changes in the underlying index rates, which affect our cost of borrowing. There were no outstanding borrowings under the Line of Credit at December 31, 2025 or 2024.

Foreign Currency Exchange Rate Risk

Our revenues and expenses are primarily denominated in U.S. dollars. For our foreign operations, the majority of our revenues and expenses are denominated in other currencies, such as the Canadian Dollar, Euro, British Pound, Swedish Krona, Indian Rupee, and Brazilian Real. Decreases in the relative value of the U.S. dollar as compared to these currencies may negatively affect our revenues and other operating results as expressed in U.S. dollars. For the years ended December 31, 2025, 2024, and 2023, approximately 5%, 4%, and 4%, respectively, of our revenues were generated in currencies other than U.S. dollars in each respective period.

We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. We have historically recognized immaterial amounts of foreign currency gains and losses in each of the periods presented. We may in the future hedge selected significant transactions denominated in currencies other than the U.S. dollar as we expand our international operations and our risk grows.

Item 8. Financial Statements and Supplementary Data

The information required by this item is presented at the end of this report beginning on page F-1.

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

None.

Item 9A. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect that there are resource constraints and that we are required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act as of December 31, 2025.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include those designed to ensure that such information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures, our principal executive officer and principal financial officer concluded that, as of December 31, 2025, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. 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 policies and procedures may deteriorate.

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2025 based on the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2025, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2025 has been audited by Crowe LLP, an independent registered public accounting firm, as stated in their report, which is included below.

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Vertex, Inc.
King of Prussia, Pennsylvania

Opinion on Internal Control over Financial Reporting

We have audited Vertex, Inc.’s (the “Company”) internal control over financial reporting as of December 31, 2025, 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 Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of December 31, 2025 and 2024, the related consolidated statements of comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively referred to as the “financial statements”) and our report dated February 24, 2026 expressed an unqualified opinion.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ Crowe LLP

Oakbrook Terrace, Illinois
February 24, 2026

Item 9B. Other Information

None.

Trading Plans

During the three months ended December 31, 2025, no director or officer of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the relevant information from our definitive Proxy Statement for our 2026 Annual Meeting of Shareholders, which will be filed not later than 120 days after the end of the fiscal year ended December 31, 2025.

Our Insider Trading Policy includes our policy governing the purchase, sale, and/or other dispositions of our securities by directors, officers and employees and is reasonably designed to promote compliance with insider trading laws, rules and regulations, and Nasdaq listing standards. This policy is included as Exhibit 19.1 hereto.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the relevant information from our definitive Proxy Statement for our 2026 Annual Meeting of Shareholders, which will be filed not later than 120 days after the end of the fiscal year ended December 31, 2025.

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

The information required by this item is incorporated by reference to the relevant information from our definitive Proxy Statement for our 2026 Annual Meeting of Shareholders, which will be filed not later than 120 days after the end of the fiscal year ended December 31, 2025.

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

The information required by this item is incorporated by reference to the relevant information from our definitive Proxy Statement for our 2026 Annual Meeting of Shareholders, which will be filed not later than 120 days after the end of the fiscal year ended December 31, 2025.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the relevant information from our definitive Proxy Statement for our 2026 Annual Meeting of Shareholders, which will be filed not later than 120 days after the end of the fiscal year ended December 31, 2025.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of the Annual Report on Form 10-K:

(1) Consolidated Financial Statements

The financial statements filed as part of this Annual Report on Form 10-K are listed in the “Index to Consolidated Financial Statements” beginning on page F-1 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

All schedules are omitted because the information required to be set forth therein is not applicable or is presented in the consolidated financial statements or notes thereto beginning on page F-1 of this Annual Report on Form 10-K.

(3) Exhibits

The documents listed in the Index to Exhibits in this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Item 16. Form 10-K Summary

None.

INDEX TO EXHIBITS

The following exhibits are filed as part of this Annual Report on Form 10-K.

| <u>Exhibit Number</u> | <u>Exhibit Description</u> | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | <u>Filed Herewith</u> | <u>Furnished Herewith</u> |
|-----------------------|---|-------------|-----------------|----------------|--------------------|-----------------------|---------------------------|
| 3.1 | Form of Amended and Restated Certificate of Incorporation of Vertex, Inc. | S-1/A | 333-239644 | 3.1 | 07/20/20 | | |
| 3.2 | Second Amended and Restated Bylaws of Vertex, Inc. | 10-K | 001-39413 | 3.2 | 02/27/25 | | |
| 4.1 | Specimen Stock Certificate evidencing the shares of Class A common stock. | S-1/A | 333-239644 | 4.1 | 07/24/20 | | |
| 4.2 | Form of Third Amended and Restated Stockholders' Agreement. | S-1/A | 333-239644 | 4.2 | 07/24/20 | | |
| 4.3 | Description of Capital Stock | 10-K | 333-239644 | 4.3 | 03/15/21 | | |
| 4.4 | Indenture, dated April 26, 2024, between Vertex, Inc. and U.S. Bank Trust Company, National Association. | 8-K | 001-39413 | 4.1 | 04/26/24 | | |
| 10.1 | Second Amendment to the Credit Agreement by and among Vertex, Inc., the guarantors party thereto, PNC Bank, National Association, and the lenders party thereto, dated as of March 8, 2022. | 8-K | 001-39413 | 10.1 | 03/09/22 | | |
| 10.3# | Form of Indemnification Agreement between Vertex, Inc. and each of its Executive Officers and Directors. | S-1/A | 333-239644 | 10.3 | 07/20/20 | | |
| 10.4 | 2007 Stock Appreciation Plan. | S-1 | 333-239644 | 10.4 | 07/02/20 | | |
| 10.5# | Form of Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and Lisa Butler. | S-1/A | 333-239644 | 10.5 | 07/20/20 | | |
| 10.6# | Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and David DeStefano. | S-1/A | 333-239644 | 10.6 | 07/20/20 | | |
| 10.7# | Form of Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and Bryan Rowland. | S-1/A | 333-239644 | 10.7 | 07/20/20 | | |
| 10.8# | Form of Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and John Schwab. | S-1/A | 333-239644 | 10.8 | 07/20/20 | | |
| 10.9# | Retirement Agreement and Release, by and between Vertex, Inc. and David DeStefano, dated October 20, 2025. | 8-K | 001-39413 | 10.1 | 10/21/25 | | |
| 10.10# | Executive Employment Agreement, by and between Vertex, Inc. and Christopher Young. | 8-K | 001-39413 | 10.2 | 10/21/25 | | |
| 10.11 | Form of S Corporation Termination and Tax Sharing Agreement. | S-1/A | 333-239644 | 10.9 | 07/20/20 | | |
| 10.12# | Vertex Inc. & Subsidiaries 2010 Long-Term Rewards Plan. | S-1/A | 333-239644 | 10.10 | 07/20/20 | | |
| 10.13# | Vertex Inc. & Subsidiaries 2018 Long-Term Rewards Plan. | S-1/A | 333-239644 | 10.11 | 07/20/20 | | |

| <u>Exhibit Number</u> | <u>Exhibit Description</u> | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | <u>Filed Herewith</u> | <u>Furnished Herewith</u> |
|-----------------------|---|-------------|-----------------|----------------|--------------------|-----------------------|---------------------------|
| 10.14# | Form of Stock Option Amendment Agreement. | S-1/A | 333-239644 | 10.12 | 07/20/20 | | |
| 10.15# | Form of Option Award Agreement under 2020 Incentive Award Plan for Amended Options. | S-1/A | 333-239644 | 10.13 | 07/20/20 | | |
| 10.16# | Form of Option Award Agreement under 2020 Incentive Award Plan for Amended Stock Appreciation Rights. | S-1/A | 333-239644 | 10.14 | 07/20/20 | | |
| 10.17# | Vertex, Inc. 2020 Incentive Award Plan. | S-1/A | 333-239644 | 10.15 | 07/20/20 | | |
| 10.18# | Form of Option Award Agreement under 2020 Incentive Award Plan. | S-1/A | 333-239644 | 10.16 | 07/20/20 | | |
| 10.19# | Form of Restricted Stock Award Agreement under 2020 Incentive Award Plan. | S-1/A | 333-239644 | 10.17 | 07/20/20 | | |
| 10.20# | Form of Restricted Stock Unit Award Agreement under 2020 Incentive Award Plan. | S-1/A | 333-239644 | 10.18 | 07/20/20 | | |
| 10.21# | Form of Stock Award Agreement under 2020 Incentive Award Plan. | S-1/A | 333-239644 | 10.19 | 07/20/20 | | |
| 10.22 | Fourth Amendment to Credit Agreement by and among Vertex, Inc., the guarantors party thereto, PNC Bank, National Association, as administrative agent, and the lenders party, thereto, dated as of April 19, 2024. | 8-K | 001-39413 | 10.1 | 04/23/24 | | |
| 10.23 | Form of Capped Call Confirmation. | 8-K | 001-39413 | 10.1 | 04/26/24 | | |
| 10.24 | Amended and Restated Credit Agreement by and among Vertex, Inc., the guarantors party thereto, PNC Bank, National Association, as administrative agent, and the lenders party, thereto, dated as of November 4, 2024. | 8-K | 001-39413 | 10.1 | 11/08/24 | | |
| 10.25 | First Amendment to Credit Agreement by and among Vertex, Inc., the guarantors party thereto, PNC Bank, National Association, as administrative agent, and the lenders party, thereto, dated as of November 14, 2025. | 8-K | 001-39413 | 10.1 | 11/20/25 | | |
| 19.1 | Insider Trading Policy. | 10-K | 001-39413 | 19.1 | 02/27/25 | | |
| 21.1 | List of Subsidiaries | S-1/A | 333-239644 | 21.1 | 07/20/20 | | |
| 23.1 | Consent of Crowe LLP | | | | | X | |
| 24.1 | Power of Attorney | | | | | X | |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X | |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X | |

| <u>Exhibit Number</u> | <u>Exhibit Description</u> | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | <u>Filed Herewith</u> | <u>Furnished Herewith</u> |
|-----------------------|---|-------------|-----------------|----------------|--------------------|-----------------------|---------------------------|
| 32.1 | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | | X |
| 32.2 | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | | X |
| 97.1# | Vertex, Inc. Policy for Recovery of Erroneously Awarded Compensation | 10-K | 001-39413 | 97.1 | 02/29/24 | | |
| 101.INS | Inline XBRL Instance Document | | | | | X | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | | | X | |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X | |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | | X | |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | | X | |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | | X | |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | | | | | X | |

Indicates a management contract or compensatory plan.

VERTEX, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page

Audited Consolidated Financial Statements as of December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025:

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Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Vertex, Inc.
King of Prussia, Pennsylvania

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vertex, Inc. (the “Company”) as of December 31, 2025 and 2024, the related consolidated statements of comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2026 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Crowe LLP

We have served as the Company’s auditor since 2019.

Oakbrook Terrace, Illinois
February 24, 2026

Vertex, Inc. and Subsidiaries
Consolidated Balance Sheets
(Amounts in thousands, except per share data)

| | December 31, 2025 | December 31, 2024 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 314,009 | \$ 296,051 |
| Funds held for customers | 24,286 | 30,015 |
| Accounts receivable, net of allowance of \$11,466 and \$16,838, respectively | 183,446 | 164,432 |
| Prepaid expenses and other current assets | 38,966 | 36,678 |
| Investment securities available-for-sale, at fair value (amortized cost of \$0 and \$9,147, respectively) | — | 9,157 |
| Total current assets | <u>560,707</u> | <u>536,333</u> |
| Property and equipment, net of accumulated depreciation | 209,727 | 177,559 |
| Capitalized software, net of accumulated amortization | 35,480 | 36,350 |
| Goodwill and other intangible assets | 396,006 | 363,021 |
| Deferred commissions | 31,907 | 27,480 |
| Deferred income tax asset | 85 | 19 |
| Operating lease right-of-use assets | 9,678 | 11,956 |
| Long-term investment | 15,000 | — |
| Other assets | 12,245 | 14,073 |
| Total assets | <u>\$ 1,270,835</u> | <u>\$ 1,166,791</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 37,557 | \$ 36,215 |
| Accrued expenses | 43,642 | 35,169 |
| Customer funds obligations | 21,802 | 27,406 |
| Accrued salaries and benefits | 23,992 | 14,581 |
| Accrued variable compensation | 34,593 | 45,507 |
| Deferred revenue, current | 382,839 | 339,326 |
| Current portion of operating lease liabilities | 4,283 | 3,995 |
| Current portion of finance lease liabilities | 55 | 77 |
| Purchase commitment and contingent consideration liabilities, current | 25,900 | 35,100 |
| Total current liabilities | <u>574,663</u> | <u>537,376</u> |
| Deferred revenue, net of current portion | 5,209 | 4,840 |
| Debt, net of current portion | 337,477 | 335,220 |
| Operating lease liabilities, net of current portion | 8,903 | 12,585 |
| Finance lease liabilities, net of current portion | 54 | 10 |
| Purchase commitment and contingent consideration liabilities, net of current portion | 79,600 | 87,400 |
| Deferred income tax liabilities | 5,664 | 9,918 |
| Deferred other liabilities | 345 | 90 |
| Total liabilities | <u>1,011,915</u> | <u>987,439</u> |
| Commitments and contingencies (Note 14) | | |
| Stockholders' equity: | | |
| Preferred shares, \$0.001 par value, 30,000 shares authorized; no shares issued and outstanding | — | — |
| Class A voting common stock, \$0.001 par value, 300,000 shares authorized; 77,580 and 70,670 shares issued and outstanding, respectively | 77 | 71 |
| Class B voting common stock, \$0.001 par value, 150,000 shares authorized; 82,156 and 86,481 shares issued and outstanding, respectively | 82 | 86 |
| Treasury stock, at cost, 504 and 0 shares, respectively | (10,094) | — |
| Additional paid in capital | 316,327 | 278,389 |
| Accumulated deficit | (46,104) | (53,315) |
| Accumulated other comprehensive loss | (1,368) | (45,879) |
| Total stockholders' equity | <u>258,920</u> | <u>179,352</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,270,835</u> | <u>\$ 1,166,791</u> |

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

Vertex, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands, except per share data)

| | For the year ended December 31, | | |
|---|--|--------------------|-------------------|
| | 2025 | 2024 | 2023 |
| Revenues: | | | |
| Software subscriptions | \$ 639,654 | \$ 567,124 | \$ 480,830 |
| Services | 108,790 | 99,652 | 91,557 |
| Total revenues | <u>748,444</u> | <u>666,776</u> | <u>572,387</u> |
| Cost of revenues: | | | |
| Software subscriptions | 187,816 | 175,580 | 162,920 |
| Services | 79,027 | 65,071 | 60,888 |
| Total cost of revenues | <u>266,843</u> | <u>240,651</u> | <u>223,808</u> |
| Gross profit | <u>481,601</u> | <u>426,125</u> | <u>348,579</u> |
| Operating expenses: | | | |
| Research and development | 83,715 | 66,666 | 58,212 |
| Selling and marketing | 196,488 | 170,574 | 140,237 |
| General and administrative | 178,685 | 152,835 | 145,936 |
| Depreciation and amortization | 24,812 | 20,953 | 15,202 |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 | — |
| Other operating expense (income), net | 12,570 | (175) | 6,502 |
| Total operating expenses | <u>479,270</u> | <u>428,353</u> | <u>366,089</u> |
| Income (loss) from operations | 2,331 | (2,228) | (17,510) |
| Interest expense (income), net | <u>(5,248)</u> | <u>(4,137)</u> | <u>4,164</u> |
| Income (loss) before income taxes | 7,579 | 1,909 | (21,674) |
| Income tax expense (benefit) | 368 | 54,638 | (8,581) |
| Net income (loss) | 7,211 | (52,729) | (13,093) |
| Other comprehensive (income) loss: | | | |
| Foreign currency translation adjustments, net of tax | (44,520) | 24,150 | (5,978) |
| Unrealized loss (gain) on investments, net of tax | 9 | (13) | (32) |
| Total other comprehensive income (loss), net of tax | <u>(44,511)</u> | <u>24,137</u> | <u>(6,010)</u> |
| Total comprehensive income (loss) | <u>\$ 51,722</u> | <u>\$ (76,866)</u> | <u>\$ (7,083)</u> |
| Net income (loss) per share of Class A and Class B, basic | \$ 0.05 | \$ (0.34) | \$ (0.09) |
| Net income (loss) per share of Class A and Class B, diluted | \$ 0.04 | \$ (0.34) | \$ (0.09) |

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

Vertex, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Amounts in thousands)

| | Common Stock | | | Treasury Stock | | Additional Paid In Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|----------------------------|----------------------|----------------------------|----------------------|-----------------|----------------------------|---|---|----------------------------|
| | Outstanding Class A Shares | Class A Common Stock | Outstanding Class B Shares | Class B Common Stock | Treasury Shares | | | | |
| Balance, January 1, 2023 | 50,014 | \$ 50 | 100,307 | \$ 100 | — | \$ 244,820 | \$ 12,507 | \$ (27,752) | \$ 229,725 |
| Exercise of stock options, net | 2,468 | 3 | — | — | — | (29) | — | — | (26) |
| Shares issued upon vesting of Restricted Stock Units, net | 511 | 1 | — | — | — | (4,690) | — | — | (4,689) |
| Shares issued upon vesting of Restricted Stock Awards, net | 198 | — | — | — | — | (146) | — | — | (146) |
| Shares issued in connection with ESPP | 152 | — | — | — | — | 2,486 | — | — | 2,486 |
| Stock-based compensation expense | — | — | — | — | — | 32,714 | — | — | 32,714 |
| Class B shares exchanged for Class A shares | 7,646 | 7 | (7,646) | (7) | — | — | — | — | — |
| Unrealized gain from available-for-sale investments, net of tax | — | — | — | — | — | — | — | — | — |
| Foreign currency translation adjustments and revaluations, net of tax | — | — | — | — | — | — | — | — | 32 |
| Net loss | — | — | — | — | — | — | (13,093) | 5,978 | 5,978 |
| Balance, December 31, 2023 | 60,989 | 61 | 92,661 | 93 | — | 275,155 | (586) | (21,742) | 252,981 |
| Exercise of stock options, net | 2,455 | 2 | — | — | — | 1,435 | — | — | 1,437 |
| Shares issued upon vesting of Restricted Stock Units, net | 846 | 1 | — | — | — | (14,205) | — | — | (14,204) |
| Shares issued upon vesting of Restricted Stock Awards, net | 84 | — | — | — | — | (290) | — | — | (290) |
| Shares issued in connection with ESPP | 116 | — | — | — | — | 2,998 | — | — | 2,998 |
| Stock-based compensation expense | — | — | — | — | — | 44,811 | — | — | 44,811 |
| Class B shares exchanged for Class A shares | 6,180 | 7 | (6,180) | (7) | — | — | — | — | — |
| Purchase of capped calls, net of tax | — | — | — | — | — | (31,517) | — | — | (31,517) |
| Tax impact on capped calls | — | — | — | — | — | 2 | — | — | 2 |
| Unrealized gain from available-for-sale investments, net of tax | — | — | — | — | — | — | — | — | — |
| Foreign currency translation adjustments and revaluations, net of tax | — | — | — | — | — | — | — | — | 13 |
| Net loss | — | — | — | — | — | — | (52,729) | (24,150) | (24,150) |
| Balance, December 31, 2024 | 70,670 | 71 | 86,481 | 86 | — | 278,389 | (53,315) | (45,879) | 179,352 |
| Exercise of stock options, net | 1,252 | 1 | — | — | — | 7,555 | — | — | 7,556 |
| Shares issued upon vesting of Restricted Stock Units, net | 1,061 | 1 | — | — | — | (28,089) | — | — | (28,088) |
| Shares issued upon vesting of Restricted Stock Awards, net | 34 | — | — | — | — | (711) | — | — | (711) |
| Shares issued upon vesting of Performance Stock Units, net | 35 | — | — | — | — | 4,236 | — | — | 4,236 |
| Shares issued in connection with ESPP | 203 | — | — | — | — | 54,943 | — | — | 54,943 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | — |
| Class B shares exchanged for Class A shares | 4,325 | 4 | (4,325) | (4) | — | — | — | — | — |
| Repurchases of shares | — | — | — | — | 504 | (10,094) | — | — | (10,094) |
| Tax impact on capped calls | — | — | — | — | — | 4 | — | — | 4 |
| Unrealized loss from available-for-sale investments, net of tax | — | — | — | — | — | — | — | — | — |
| Foreign currency translation adjustments and revaluations, net of tax | — | — | — | — | — | — | — | — | (9) |
| Net income | — | — | — | — | — | — | 7,211 | 44,520 | 44,520 |
| Balance, December 31, 2025 | 77,580 | 77 | 82,156 | 82 | 504 | 316,327 | (46,104) | (1,368) | 258,920 |

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

Vertex, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Amounts in thousands)

| | For the Year Ended December 31, | | |
|--|--|-------------------|------------------|
| | 2025 | 2024 | 2023 |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 7,211 | \$ (52,729) | \$ (13,093) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 96,931 | 82,733 | 71,891 |
| Amortization of cloud computing implementation costs | 3,738 | 4,007 | 2,570 |
| Provision for subscription cancellations and non-renewals | 2,700 | 199 | 2,083 |
| Amortization of deferred financing costs | 2,721 | 2,033 | 266 |
| Change in fair value of contingent consideration liabilities | (16,800) | 14,925 | — |
| Change in settlement value of deferred purchase commitment liability | — | 423 | — |
| Write-off of deferred financing costs | — | 276 | — |
| Stock-based compensation expense | 57,763 | 47,425 | 33,919 |
| Deferred income taxes | (5,395) | 51,068 | (11,574) |
| Non-cash operating lease costs | 3,258 | 2,857 | 2,587 |
| Other | (54) | (203) | 5,335 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (12,880) | (22,076) | (45,222) |
| Prepaid expenses and other current assets | (5,805) | (14,207) | (6,354) |
| Deferred commissions | (4,428) | (6,242) | (5,774) |
| Accounts payable | 1,225 | 11,615 | 9,241 |
| Accrued expenses | 8,128 | (12,323) | 5,837 |
| Accrued and deferred compensation | (5,170) | 9,232 | 7,516 |
| Deferred revenue | 35,674 | 51,096 | 18,172 |
| Operating lease liabilities | (4,323) | (3,999) | (4,224) |
| Payments for purchase commitment and contingent consideration liabilities in excess of initial fair value | (200) | (4,367) | — |
| Other | 1,249 | 3,078 | 1,156 |
| Net cash provided by operating activities | <u>165,543</u> | <u>164,821</u> | <u>74,332</u> |
| Cash flows from investing activities: | | | |
| Acquisition of businesses and assets, net of cash acquired | — | (71,755) | — |
| Long-term investment | (15,000) | — | — |
| Property and equipment additions | (96,236) | (65,769) | (49,261) |
| Capitalized software additions | (21,718) | (21,344) | (18,972) |
| Purchase of investment securities, available-for-sale | (2,398) | (15,993) | (16,328) |
| Proceeds from sales and maturities of investment securities, available-for-sale | 11,607 | 16,710 | 18,390 |
| Net cash used in investing activities | <u>(123,745)</u> | <u>(158,151)</u> | <u>(66,171)</u> |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in customer funds obligations | (5,604) | 9,675 | 5,610 |
| Proceeds from convertible senior notes | — | 345,000 | — |
| Principal payments on long-term debt | — | (46,875) | (2,188) |
| Payments on third-party debt | — | (3,904) | — |
| Payment for purchase of capped calls | — | (42,366) | — |
| Payments for deferred financing costs | — | (12,541) | (1,001) |
| Repurchases of shares | (10,094) | — | — |
| Proceeds from purchases of stock under ESPP | 4,236 | 2,998 | 2,486 |
| Payments for taxes related to net share settlement of stock-based awards | (28,950) | (21,516) | (9,701) |
| Proceeds from exercise of stock options | 7,706 | 8,459 | 4,839 |
| Payments for purchase commitment and contingent consideration liabilities | — | (7,580) | (6,424) |
| Payments for deferred purchase commitments | — | — | (20,000) |
| Payments of finance lease liabilities | (76) | (93) | (103) |
| Net cash provided by (used in) financing activities | <u>(32,782)</u> | <u>231,257</u> | <u>(26,482)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 3,213 | (1,012) | 724 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | <u>12,229</u> | <u>236,915</u> | <u>(17,597)</u> |
| Cash, cash equivalents and restricted cash, beginning of period | 326,066 | 89,151 | 106,748 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 338,295</u> | <u>\$ 326,066</u> | <u>\$ 89,151</u> |
| Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets, end of period: | | | |
| Cash and cash equivalents | \$ 314,009 | \$ 296,051 | \$ 68,175 |
| Restricted cash—funds held for customers | 24,286 | 30,015 | 20,976 |
| Total cash, cash equivalents and restricted cash, end of period | <u>\$ 338,295</u> | <u>\$ 326,066</u> | <u>\$ 89,151</u> |

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

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Amounts in thousands, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Vertex, Inc. (“Vertex”) and its consolidated subsidiaries (collectively, the “Company”) operate as solutions providers of state, local and value added tax calculation, compliance, and analytics, offering software products that are sold through software license and software as a service (“cloud”) subscriptions. The Company also provides implementation and training services in connection with its software license and cloud subscriptions, transaction tax returns outsourcing, and other tax-related services. The Company sells to customers located throughout the United States of America (“U.S.”) and internationally.

Basis of Consolidation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and include the accounts of the Company. All intercompany transactions have been eliminated in consolidation.

On August 30, 2024, the Company completed its acquisition of ecosio GmbH (“ecosio”). Upon its acquisition, ecosio became a wholly owned subsidiary of the Company, and its operations have been included in the Company’s consolidated financial statements commencing on the acquisition date.

Prior to June 5, 2024, the Company owned an 80% controlling equity interest in Systax Sistemas Fiscais LTD (“Systax”), a provider of Brazilian transaction tax content and software. Systax was determined to be a variable interest entity, and the accounts were included in the consolidated financial statements. The Company did not have full decision-making authority over Systax; however, the Company was the entity that most significantly participated in the variability of the fair value of Systax’s net assets and was considered the entity most closely associated to Systax. As such, the Company was deemed the primary beneficiary of Systax and consolidated Systax into its consolidated financial statements. On June 5, 2024, the Company acquired the remaining 20% equity interest in Systax, resulting in Systax becoming a wholly owned subsidiary of the Company, and is consolidated into the consolidated financial statements.

Segments

The Company operates its business as one operating segment. Operating segments are defined as components of an enterprise that separate financial information is evaluated regularly by the chief operating decision maker (“CODM”) the Company’s Chief Executive Officer, in deciding how to allocate resources and assess performance. The Company’s CODM allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents, which include highly liquid investment securities, available-for-sale securities, funds held for customers and accounts receivable.

The Company maintains the majority of its cash and cash equivalent balances and funds held for customers in four banks. These amounts exceed federally insured (“FDIC”) limits. The Company periodically evaluates the creditworthiness of the banks. The Company has not experienced any losses in these accounts and believes they are not exposed to significant credit risk on such accounts.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

The Company does not require collateral from its customers. Allowances are maintained for credit losses. Credit risk related to accounts receivable is limited due to the industry and geographic diversity within the Company's customer base. No single customer accounted for more than 10% of revenues for the years ended December 31, 2025, 2024, and 2023.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. A three-level fair value hierarchy (the "Fair Value Hierarchy") prioritizes the inputs used to measure fair value. The Fair Value Hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. Classification in the Fair Value Hierarchy is based on the lowest of the following levels that is significant to the measurement:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Inputs are unobservable inputs based on the Company's assumptions and valuation techniques used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

The Company's assessment of the significance of an input to a fair value measurement requires judgment, which may affect the determination of fair value and the measurement's classification within the Fair Value Hierarchy.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues, and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include: (i) the estimated allowance for subscription cancellations; (ii) expected credit losses associated with the allowance for doubtful accounts; (iii) allowance for credit losses on available-for-sale debt securities; (iv) the reserve for self-insurance; (v) assumptions related to achievement of technological feasibility for software developed for sale; (vi) product life cycles; (vii) estimated useful lives and potential impairment of long-lived assets, intangible assets, and capitalized cloud computing arrangement software implementation costs; (viii) potential impairment of goodwill; (ix) determination of the fair value of tangible and intangible assets acquired, liabilities assumed, and consideration transferred in acquisitions; (x) amortization period of deferred commissions; (xi) Black-Scholes-Merton option pricing model ("Black-Scholes model") input assumptions used to determine the fair value of certain stock-based compensation awards and Employee Stock Purchase Plan ("ESPP") purchase rights; (xii) measurement of future purchase commitment, fair value of contingent consideration liabilities related to cash and stock earn-out payments, and contingent consideration and deferred purchase consideration liabilities associated with acquisitions; (xiii) measurements of long-term investment and warrant rights; and (xiv) the potential outcome of future tax consequences of events that have been recognized in the consolidated financial statements or tax returns. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity date of three months or less to be cash equivalents. Funds held as investments in money market funds are included within cash and cash equivalents.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

In accordance with Accounting Standards Update (“ASU”) No. 2016-18, *Restricted Cash*, the Company presents changes in restricted cash in the consolidated statement of cash flows.

Funds Held for Customers

Funds held for customers in the consolidated balance sheets represent customer funds advanced for transaction tax return payments. Funds held for customers are restricted for the sole purpose of remitting such funds to satisfy obligations on behalf of such customers and are deposited at FDIC-insured institutions. Customer obligations are included in current liabilities in the consolidated balance sheets, as the obligations are expected to be settled within one year.

Property and Equipment

Property and equipment are stated at cost or fair value when acquired and presented net of accumulated depreciation. Normal maintenance and repairs are charged to expense, while major renewals and betterments are capitalized. Assets under finance leases are recorded at the present value of future lease payments. Assets under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets and are depreciated over the shorter of the asset’s useful life or lease term.

Depreciation and amortization are computed straight-line over the estimated useful lives of the assets, as follows:

| | |
|---------------------------------|--------------|
| Leasehold improvements | 1 - 12 years |
| Internal-use software developed | 3 - 5 years |
| Computer software purchased | 3 - 7 years |
| Equipment | 3 - 10 years |
| Furniture and fixtures | 7 - 10 years |

Software Development Costs

Internal-Use Software

The Company follows Accounting Standards Codification (“ASC”) 350-40 to account for development costs incurred for the costs of computer software developed or obtained for internal use. ASC 350-40 requires such costs to be capitalized once certain criteria are met. Capitalized internal-use software costs are primarily comprised of direct and contracted labor, and related expenses. ASC 350-40 includes specific guidance on costs not to be capitalized, such as overhead, general and administrative, and training costs. Internal-use software includes software utilized for cloud-based solutions as well as software for internal systems and tools. Costs are capitalized once the project is defined, funding is committed, and it is confirmed the software will be used for its intended use. Capitalization of these costs concludes once the project is substantially complete and the software is ready for its intended purpose. Post-configuration training and maintenance costs are expensed as incurred. Internal-use software is included in internal-use software developed in property and equipment in the consolidated balance sheets once available for its intended use. Depreciation expense for internal-use software utilized for cloud-based customer solutions and for software for internal systems and tools is included in cost of revenues, software subscriptions, and depreciation and amortization, respectively, in the consolidated statements of comprehensive income (loss).

Software Developed for Sale

The costs incurred for the development of computer software to be sold, leased, or otherwise marketed are capitalized in accordance with ASC 985-20, *Costs of Software to be Sold, Leased or Marketed*, when technological feasibility has been established. Technological feasibility generally occurs when all planning, design, coding, and testing activities are

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

completed that are necessary to establish that the product can be produced to meet its design specifications, including functions, features, and technical performance requirements. The establishment of technological feasibility is an ongoing assessment of judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life, and changes in technology. Capitalized software includes direct and contracted labor and related expenses for software development for new products and enhancements to existing products and acquired software.

Amortization of capitalized software development costs begins when the product is available for general release. Amortization is provided on a product-by-product basis using the straight-line method over periods between three to five years and are included in cost of revenues - software subscriptions in the consolidated statements of comprehensive income (loss). Unamortized capitalized software development costs determined to be in excess of the net realizable value of the product are expensed immediately.

Capitalized software costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in software technologies at each balance sheet date. In the event of impairment, unamortized capitalized software costs are compared to the net realizable value of the related product and the carrying value of the related assets are written down to the net realizable value to the extent the unamortized capitalized costs exceed such value. The net realizable value is the estimated future gross revenues from the related product reduced by the estimated future costs of completing and disposing of such product, including the costs of providing related maintenance and customer support.

Cloud Computing Software Implementation Costs

The Company follows ASC 350-40 to account for development costs incurred for cloud computing software implementations. ASC 350-40 requires such costs to be capitalized once certain criteria are met. Costs are primarily comprised of contracted labor, direct labor, and related expenses. ASC 350-40 includes specific guidance on costs not to be capitalized, such as overhead, general and administrative, and training costs. Costs are capitalized once the project is defined, funding is committed, and it is confirmed the software will be used for its intended use. Capitalization of these costs concludes once the project is substantially complete and the software is ready for its intended purpose. Post-configuration training and maintenance costs are expensed as incurred.

Cloud computing software implementation costs incurred in hosting arrangements are capitalized and reported as a component of prepaid expenses and other current assets, and other assets, once available for their intended use. These costs are amortized using the straight-line method over their respective contract service periods, including periods covered by an option to extend, ranging from two to five years.

Amortization expense for capitalized cloud computing implementation costs for the years ended December 31, 2025, 2024 and 2023 were \$3,738, \$4,007, and \$2,570, respectively, and are included in general and administrative expense in the consolidated statements of comprehensive income (loss).

Assessment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets, including internal-use software, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Whenever such events or circumstances are present, an impairment loss equal to the excess of the asset carrying value over its fair value, if any, is recorded.

Business Combinations

Upon acquisition of a company, the Company determines if the transaction is a business combination, which is accounted for using the acquisition method of accounting. Under the acquisition method, once control is obtained of a

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

business, the assets acquired, liabilities assumed, consideration transferred and amounts attributed to noncontrolling interests, are recorded at fair value. The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired, liabilities assumed, consideration transferred, and amounts attributed to noncontrolling interests at the acquisition date. One of the most significant estimates relates to the determination of the fair value of these amounts. The determination of the fair values is based on estimates and judgments made by management. The Company's estimates of fair value are based upon assumptions it believes to be reasonable, but which are inherently uncertain and unpredictable. Measurement period adjustments to these values as of the acquisition date are reflected at the time identified, up through the conclusion of the measurement period, which is the time at which all information for determination of the values of assets acquired, liabilities assumed, consideration transferred, and noncontrolling interests is received, and is not to exceed one year from the acquisition date (the "Measurement Period"). Thus, the Company may record adjustments to the fair value of these tangible and intangible assets acquired, liabilities assumed, consideration transferred, and noncontrolling interests, with the corresponding offset to goodwill during this Measurement Period. Additionally, uncertain tax positions and tax-related valuation allowances are initially recorded in connection with a business combination as of the acquisition date. The Company would collect information and reevaluate these estimates and assumptions periodically and record any adjustments to preliminary estimates to goodwill, provided the Company is within the Measurement Period, with any adjustments to amortization of new or previously recorded identifiable intangibles being recorded to the consolidated statements of comprehensive income (loss) in the period in which they arise. In addition, if outside of the Measurement Period, any subsequent adjustments to the acquisition date fair values are included in the consolidated statements of comprehensive income (loss) in the period in which they arise.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. The Company evaluates goodwill for impairment annually at October 1 and whenever events or circumstances make it more likely than not that impairment may have occurred.

The Company has determined that its business comprises one reporting unit. The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, in which case a quantitative impairment test is not required.

As provided by ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, the quantitative goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired. An impairment loss is recognized for any excess of the carrying amount of the reporting unit over its fair value up to the amount of goodwill allocated to the reporting unit. Income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit are considered when measuring the goodwill impairment loss, if applicable.

Convertible Senior Notes

The Company accounts for its Notes (as defined in Note 10) wholly as debt under ASU 2020-06 *Debt—Debt with Conversion and Other Options (Subtopic 470-20.)* Debt issuance costs incurred in connection with the issuance of the Notes are included in the consolidated balance sheets as a direct deduction from the carrying amount of the Notes. These costs are amortized on a straight-line basis, which approximates the effective interest method, over the contractual term of the Notes and are included within interest expense (income), net on the consolidated statements of comprehensive income (loss).

Capped Call Transactions

Capped call transactions cover the aggregate number of shares of the Company's common stock that will initially underlie the Notes. The Company also determined that the capped call option contracts meet the definition of a derivative

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
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under ASC Topic 815, “*Derivatives and Hedging*,” but are not required to be accounted for as a derivative as they meet the scope exception outlined in the guidance. The Company determined that the freestanding capped call option contracts qualify as equity under the accounting guidance and recognized the contract by recording an entry to additional paid-in capital in stockholders’ equity in its consolidated balance sheets. The capped call options are not remeasured.

Deferred Financing Costs

The Company capitalizes costs related to obtaining, renewing, or extending loan agreements and amortizes these costs on a straight-line basis, which approximates the effective interest method, over the life of the loan. Deferred financing costs related to undrawn debt are included in other assets in the consolidated balance sheets in accordance with ASC 835-30, *Interest—Imputation of Interest*.

Treasury Stock

Payments made for repurchases of the Company’s Class A common stock, including all direct costs to acquire the stock, are included in treasury stock in the consolidated balance sheet in accordance with ASC 505-30, Equity — Treasury Stock. Treasury stock is repurchased at the market price on the trade date and is held until the shares are reissued or retired. The Company accounts for treasury stock under the cost method. To determine the cost of treasury stock that is either sold or re-issued, the first in, first out method is used. When treasury stock is re-issued at a price higher than its cost, the difference is recorded to additional paid-in capital in the consolidated balance sheets. Conversely, when treasury stock is re-issued at a price lower than its cost, the difference is recorded to additional paid-in capital to the extent that there are previously recorded gains to offset the losses and a decrease in retained earnings (deficit) for any remaining amount.

Stock-Based Compensation

The 2020 Incentive Award Plan (the “2020 Plan”) and the ESPP provide for the award of stock appreciation rights (“SARs”), stock options (“options”), restricted stock awards (“RSAs”), restricted stock units (“RSUs”), performance stock units (“PSUs”), and participation in the ESPP (collectively, the “awards”).

The awards are subject to, and the Company applies, the guidance set forth in ASC 718, *Compensation—Stock Compensation*, for the award of equity-based instruments.

The provisions of ASC 718 require a company to measure the fair value of stock-based compensation as of the grant date of the award. Stock-based compensation expense reflects the cost of employee services received in exchange for the awards.

Stock-based compensation expense for stock options issued under the 2020 Plan is measured based on the grant date fair value of the award and is estimated using the Black-Scholes model. Compensation cost is recognized on a straight-line basis over the requisite service or performance period associated with the award.

Stock-based compensation expense for RSAs and RSUs is based on the fair value of the Company’s underlying common stock on the date of grant. Compensation cost for RSAs and RSUs is recognized on a straight-line basis over the requisite service or performance period associated with the award. Stock-based compensation expense for PSUs is based on the fair value of the Company’s common stock on the date of grant and is subject to performance-based measurement criteria. Compensation cost for PSUs is recognized on a straight-line basis over the requisite service period associated with the award when the achievement of performance targets is deemed probable.

The ESPP permits participants to purchase Class A common stock through payroll deductions, up to a specified percentage of their eligible compensation. The plan is a compensatory plan as it allows participants to purchase stock at a 15% discount from the lower of the fair value of the Class A common stock on the first or last day of the ESPP offering

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period (the “ESPP Discount”). The ESPP is accounted for as an equity classified award. Stock-based compensation expense for the ESPP is measured based on the fair value of the ESPP award at the start of the offering period. The fair value is comprised of the value of the ESPP Discount and the value associated with the variability in the Class A common stock price during the offering period (the “Call/Put”), which is estimated using the Black-Scholes model. Compensation cost is recognized on a straight-line basis over the respective offering period.

The Company has elected to recognize award forfeitures as they occur.

Leases

In accordance with ASU No. 2016-02, *Leases* (“ASC 842”), the Company determines if an arrangement is or contains a lease at its inception. The Company has elected not to recognize on the balance sheet leases with terms of one year or less as a practical expedient.

For leases with terms greater than 12 months, the Company records an operating lease right-of-use asset or finance lease asset and related lease liability at the present value of lease payments over the lease term. The implicit rate for individual leases is generally not readily determinable; therefore, the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. Leases with an option to extend the related lease term or terminate early are included in the lease term when it is reasonably certain that the Company will exercise such options. The Company recognizes expense for operating leases on a straight-line basis over the lease term plus any variable lease costs.

The Company does not recognize a right-of-use asset or lease liability for leases with an initial term equal to or less than 12 months (“short-term leases”) on its consolidated balance sheets. The Company recognizes expense on short-term leases in the consolidated statements of comprehensive income (loss) on a straight-line basis over the lease term.

Self-insurance

The Company is self-insured for the majority of its health insurance costs, including medical claims subject to certain stop-loss provisions. Management periodically reviews the adequacy of the Company’s stop-loss insurance coverage. The Company records an estimate of claims incurred but not reported, based on management’s judgment and historical experience. Self-insurance accruals are \$2,715 and \$2,240 at December 31, 2025 and 2024, respectively, and are included in accrued salaries and benefits in the consolidated balance sheets. Material differences may result in the amount and timing of insurance expense if actual experience differs significantly from management’s estimates.

Revenue Recognition

Revenue from contracts with customers

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, (“ASC 606”). Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to be received in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct, and accounted for as separate performance obligations. Revenue is recognized net of allowance for subscription and non-renewal cancellations and any taxes collected from customers, which are subsequently remitted to governmental authorities.

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Notes to Consolidated Financial Statements (continued)
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Nature of goods and services

Licenses for on-premise software subscriptions provide the customer with a right to use the software as it exists when made available to the customer. Customers purchase a subscription to these licenses, which includes the related software and tax content updates and product support. The updates and support, which are part of the subscription agreement, are essential to the continued utility of the software; therefore, the Company has determined the software and the related updates and support to be a single performance obligation. Accordingly, when on-premise software is licensed, the revenue associated with this combined performance obligation is recognized ratably over the license term as these subscriptions are provided for the duration of the license term. Revenue recognition begins on the later of the beginning of the subscription period or the date the software is made available to the customer to download.

Cloud-based subscriptions allow customers to use Company-hosted software over the contract period without taking possession of the software. The cloud-based offerings also include related updates and support. Revenue recognition begins on the later of the beginning of the subscription period or the date the customer is provided access to the cloud-based solutions. Cloud-based contracts consistently provide a benefit to the customer during the subscription period; thus, the associated revenue is recognized ratably over the related subscription period.

Revenue from deliverable-based services is recognized as services are delivered. Revenue from fixed fee services is recognized as services are performed using the cost-to-cost input method.

The Company has elected the “right to invoice” practical expedient for revenue related to services that are billed on an hourly basis, which enables revenue to be recognized as the services are performed.

The Company has determined that the methods applied to measuring its progress toward complete satisfaction of performance obligations recognized over time are a faithful depiction of the transfer of control of software subscriptions and services to customers.

Significant Judgments

Contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Identification of the amortization periods of material rights and contract costs requires significant judgment by management.

Payment Terms

Payment terms and conditions vary by contract, although the Company’s terms generally include a requirement of payment within 30-60 days. In instances where the timing of revenue recognition differs from the timing of payment, the Company has determined that its contracts do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, not to receive financing from customers or to provide customers with financing.

Cost of Revenues

Cost of revenues, software subscriptions include the direct cost to develop, host, and distribute software products, the direct cost to provide customer support, and amortization of costs capitalized for software developed for sale, for internal-use software utilized for cloud-based subscriptions and for certain acquired intangible assets. Cost of revenues, services include the direct costs of implementation, training, transaction tax returns outsourcing, and other tax-related services.

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Notes to Consolidated Financial Statements (continued)
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Reimbursable Costs

Reimbursable costs passed through and invoiced to customers of the Company are recorded as services revenues with the associated expenses recorded as cost of revenues, services in the consolidated statements of comprehensive income (loss). These amounts were \$407, \$431, and \$17 for the years ended December 31, 2025, 2024, and 2023, respectively.

Research and Development

Research and development costs consist primarily of personnel and related expenses for research and development activities including salaries, benefits, and other compensation. Research and development costs are expensed as incurred in accordance with ASC 730, *Research and Development*, and are included in the consolidated statements of comprehensive income (loss).

Advertising

Advertising expense is recorded as incurred and is included in selling and marketing expense in the consolidated statements of comprehensive income (loss). Total advertising expense was \$23,138, \$26,333, and \$26,000 for the years ended December 31, 2025, 2024, and 2023, respectively.

Foreign Currency

The Company transacts business in various foreign currencies. Management has concluded that the local country's currency is the functional currency of its foreign operations. Consequently, operating activities outside the U.S. are translated into U.S. dollars using average exchange rates, while assets and liabilities of operations outside the U.S. are translated into U.S. dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are included in total stockholders' equity as a component of accumulated other comprehensive loss in the consolidated balance sheets. Related periodic movements in exchange rates are included in other comprehensive loss in the consolidated statements of comprehensive income (loss). Other operating expense, net in the consolidated statements of comprehensive income (loss) includes net foreign exchange transaction (losses) of \$(1,621), \$(1,067), and \$(109) for the years ended December 31, 2025, 2024, and 2023, respectively.

Investments

The Company's investment securities portfolio consisted of the following: money market mutual funds invested in high quality, short-term money market instruments which are issued and payable in U.S. dollars ("Money Market Funds"), bank and corporate issued commercial paper ("Commercial Paper"), corporate bonds ("Corporate Bonds"), and U.S. treasury securities ("Treasury Securities"). The Money Market Funds and a portion of the Commercial Paper were considered cash and cash equivalents due to their short maturity dates. These securities were carried at fair value, with the realized holding gains and (losses), net of tax, reported in the interest expense, net line of the consolidated statements of comprehensive income (loss). Realized holding gains and (losses), net of tax, were not material. The Money Market Funds qualify as equity securities per ASC 321, *Investments – Equity Securities*. The Commercial Paper, Corporate Bonds, and U.S. Treasury Securities qualify as debt securities per ASC 320, *Investments – Debt Securities*, and were classified as available-for-sale as they may have been liquidated and used for general corporate purposes. These securities were carried at fair value, with the unrealized holding gains and (losses), net of tax, reported in other comprehensive (income) loss and do not affect earnings until realized. None of the Company's debt securities were classified as trading or held-to-maturity. During 2025, the Company fully liquidated these securities, resulting in a realized gain of \$19, which is included in the interest expense (income), net line of the consolidated statements of comprehensive income for the year ended December 31, 2025.

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The Company accounts for its Kintsugi Investment (defined in Note 4) in accordance with ASC 805-50-30-3. The Company classified the preferred stock as an equity security under ASC 321, Investments – Equity Securities. As Kintsugi is a privately held company without a readily determinable fair value, the preferred stock qualifies for the measurement alternative under ASC 321 and is measured at cost, less impairment, subject to upward and downward adjustments resulting from observable price changes for identical or similar investments of the same issuer. The carrying value of the Kintsugi Investment is presented in the long-term investment line in the consolidated balance sheets.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's consolidated financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law and rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The effects of future changes in tax laws or rates are not anticipated. Vertex and its subsidiaries are generally taxed at the corporate level, and the income tax provision or benefit is based on income or loss sourced to the U.S. federal and state jurisdictions as well as foreign jurisdictions at the tax rates applicable in those jurisdictions. A valuation allowance is recorded when it is more likely than not that some or all the deferred tax assets will not be realized.

The Company records uncertain tax positions in accordance with ASC 740, *Income Taxes*, on the basis of a two-step process whereby: (i) management determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and (ii) for those tax positions that meet the more likely than not recognition threshold, management recognizes the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company records interest related to underpayment of income taxes as interest expense and penalties as other operating expenses in the consolidated statements of comprehensive income (loss).

The Company assesses its income tax positions and records tax benefits or expense based upon management's evaluation of the facts, circumstances, and information available at the reporting date. Variations in the actual outcome of these future tax consequences could materially impact the consolidated financial statements.

Total Comprehensive Income (Loss)

Total comprehensive income (loss) consists of net loss and other comprehensive (income) loss. Other comprehensive (income) loss refers to revenues, expenses, gains and losses that under U.S. GAAP are recorded as elements of stockholders' equity but are excluded from net loss. Other comprehensive (income) loss is comprised of foreign currency translation adjustments and revaluations, and unrealized (gains) losses on available-for-sale debt securities.

Earnings Per Share ("EPS")

The Company has two classes of common stock outstanding and thus calculates EPS following the two-class method. This method allocates earnings for the respective periods between the two classes of common stock in proportion to the weighted average shares outstanding for each class of common stock as a percentage of total weighted average shares of both classes of common stock outstanding. Neither the Class A common stock nor Class B common stock has any liquidity or dividend preferences and are both considered to be participating securities.

Basic and diluted net income (loss) per share attributable to common stockholders is calculated using the treasury stock and if-converted methods. The basic net income (loss) per share attributable to Class A common stockholders includes RSAs, RSUs, PSUs, and ESPP shares once vesting or purchase contingencies are resolved, and the related shares

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are deemed to be outstanding. The diluted net income (loss) per share attributable to Class A common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, all options to purchase shares of Class A common stock and nonvested RSAs and RSUs are considered common stock equivalents. PSUs are included in the computation of diluted net income per share only to the extent that the underlying performance conditions are satisfied prior to the end of the reporting period or would be satisfied if the end of the reporting period were the end of the related performance period, and if the effect would be dilutive. The portion of ESPP shares for which the Company has received payments but for which the related shares are not yet issuable are also considered potential common stock equivalents. Additionally, the dilutive effect of shares issuable upon conversion of the Notes is included in the calculation of diluted EPS by application of the if-converted method. In connection with the issuance of the Notes, the Company entered into the Capped Call Transactions, which are not included for purposes of calculating the number of diluted weighted-average shares outstanding, as their effect would be anti-dilutive. The Company has included the effect of its Class A common stock to be issued in connection with the first-year Stock Earn-outs (defined in Note 4) in diluted net income per share as the underlying performance conditions were satisfied prior to the end of the reporting period. In periods of net loss available to common stockholders, diluted calculations are equal to basic calculations because the inclusion of potential common stock equivalents would be anti-dilutive.

Supplemental Balance Sheet Information

Supplemental balance sheet disclosures are as follows for the respective periods:

| | As of December 31, | |
|---|---------------------------|------------------|
| | 2025 | 2024 |
| Prepaid expenses and other current assets: | | |
| Prepaid expenses | \$ 13,068 | \$ 15,223 |
| Unamortized cloud computing implementation costs | 4,666 | 4,088 |
| Prepaid insurance | 1,229 | 1,488 |
| Prepaid licenses and support | 20,003 | 15,879 |
| Prepaid expenses and other current assets | <u>\$ 38,966</u> | <u>\$ 36,678</u> |
| Other assets: | | |
| Unamortized cloud computing implementation costs | \$ 8,518 | \$ 10,173 |
| Other assets | 3,727 | 3,900 |
| Total other assets | <u>\$ 12,245</u> | <u>\$ 14,073</u> |
| Accrued expenses: | | |
| Accrued general expenses | \$ 18,918 | \$ 14,862 |
| Accrued contract labor and professional fees | 17,624 | 15,152 |
| Accrued income and other taxes | 7,100 | 5,155 |
| Accrued expenses | <u>\$ 43,642</u> | <u>\$ 35,169</u> |

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Supplemental Cash Flow Disclosures

Supplemental cash flow disclosures are as follows for the respective periods:

| | For the year ended December 31, | | |
|--|---------------------------------|----------|----------|
| | 2025 | 2024 | 2023 |
| Cash paid for: | | | |
| Interest | \$ 3,317 | \$ 3,287 | \$ 3,729 |
| Income taxes, net of refunds | 1,916 | 8,593 | 5,652 |
| Cash paid included in the measurement of lease liabilities: | | | |
| Operating cash flows from operating leases | 3,649 | 3,679 | 4,019 |
| Non-cash investing and financing activities: | | | |
| Change in settlement value of deferred purchase commitment liability | — | 423 | 4,020 |
| Change in fair value of contingent consideration liabilities | (16,800) | 14,925 | 1,549 |
| Leased assets obtained in exchange for new finance lease liabilities | 93 | 48 | 124 |

Recently Adopted Accounting Pronouncements

Income Tax Disclosures

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. Entities will be required to disclose additional information in specified categories in the reconciliation of the effective tax rate to the statutory rate for federal, state, and foreign income taxes. The standard also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold and eliminates certain existing disclosures. In addition to new disclosures associated with the rate reconciliation, the standard requires information pertaining to taxes paid (net of refunds received) to be disaggregated for federal, state, and foreign taxes and further disaggregated for specific jurisdictions to the extent the related amounts exceed a quantitative threshold. The Company adopted the standard on a retrospective basis effective for its annual period ending December 31, 2025. The adoption of the standard only impacted disclosures. See Note 16 “Income Taxes.”

Recently Issued Accounting Pronouncements

Interim Reporting (Topic 270): Narrow-Scope Improvements

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The standard provides clarifications intended to improve the consistency and usability of interim disclosure requirements, including a comprehensive listing of required interim disclosures and a new disclosure principle for reporting material events occurring after the most recent annual period. The standard does not change the fundamental nature of interim reporting. The guidance is effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years. The Company is currently evaluating the impact of the standard on its interim reporting processes, including updates to disclosure controls, and interim footnote structure. However, the Company does not expect the adoption of the standard to have a material impact on its consolidated financial statements.

Targeted Improvements to the Accounting for Internal-Use Software

In September 2025, the FASB issued ASU 2025-06, Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. ASU 2025-06 replaces the existing stage-based capitalization model with a principles-based approach. Under the new guidance, software development costs are capitalized only when (i) management has authorized and committed to funding the software project, and (ii) it is probable

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that the project will be completed and the software will be used to perform its intended function. The standard also consolidates guidance for website development costs from Subtopic 350-50 into Subtopic 350-40 and introduces enhanced disclosure requirements related to capitalized software costs. The standard is effective for annual reporting periods beginning after December 15, 2027, including interim reporting periods within those fiscal years. The standard can be adopted retrospectively, prospectively or on a modified prospective basis, and early adoption is permitted as of the beginning of an annual reporting period, provided that the financial statements for that period have not yet been issued or made available for issuance. The Company is currently evaluating the impact of the standard on its consolidated financial statements and related disclosures and will determine the appropriate transition method prior to adoption.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. Entities will be required to provide disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements for both interim and annual reporting periods. The standard does not change the expense captions that an entity presents on the face of the income statement. The standard will be effective for annual reporting periods beginning after December 15, 2026, and for interim reporting periods for annual reporting periods beginning after December 15, 2027, with early adoption permitted. Entities are required to adopt the standard prospectively; however, entities are permitted to apply the amendments retrospectively to any or all prior periods presented in the financial statements. The Company is continuing to assess the potential impacts of the standard but does not expect this standard to have a material effect on its financial statements, other than the required changes to the disclosures.

2. REVENUE RECOGNITION

Disaggregation of revenue

The table reflects revenue by major source for the following periods:

| | For the year ended December 31, | | |
|-------------------------|--|-------------------|-------------------|
| | 2025 | 2024 | 2023 |
| Software subscriptions: | | | |
| Software licenses | \$ 286,711 | \$ 291,081 | \$ 266,213 |
| Cloud subscriptions | 352,943 | 276,043 | 214,617 |
| Software subscriptions | 639,654 | 567,124 | 480,830 |
| Services | 108,790 | 99,652 | 91,557 |
| Total revenues | <u>\$ 748,444</u> | <u>\$ 666,776</u> | <u>\$ 572,387</u> |

Contract balances

Timing of revenue recognition may differ from the timing of invoicing customers. A receivable is recorded in the consolidated balance sheets when customers are billed related to revenue to be collected and recognized for subscription agreements as there is an unconditional right to invoice and receive payment in the future related to these subscriptions. A receivable and related revenue may also be recorded in advance of billings to the extent services have been performed and the Company has a right under the contract to bill and collect for such performance. Subscription-based customers are generally invoiced annually at the beginning of each annual subscription period. The Company's payment terms typically range from 30-60 days. Accounts receivable is presented net of an allowance for potentially uncollectible accounts and estimated cancellations of software license and cloud-based subscriptions (the "allowance") of \$11,466 and \$16,838 at December 31, 2025 and 2024, respectively. The allowance is adjusted for expected credit losses based on management's

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assessment of collectability after considering factors including the age of each outstanding invoice, collection history of customers, current and forecasted economic conditions as well as estimated cancellations.

The beginning and ending balances of accounts receivable, net of allowance, are as follows:

| | For the year ended December 31, 2025 | |
|------------------------------|---|------------------|
| | 2025 | 2024 |
| Balance, beginning of period | \$ 164,432 | \$ 141,752 |
| Balance, end of period | 183,446 | 164,432 |
| Increase | <u>\$ 19,014</u> | <u>\$ 22,680</u> |

A contract liability is recorded as deferred revenue on the consolidated balance sheets when customers are billed in advance of performance obligations being satisfied, and revenue is recognized after invoicing ratably over the subscription period. Deferred revenue is included net of a related deferred allowance for subscription cancellations (the “deferred allowance”) of \$4,120 and \$12,028 at December 31, 2025 and 2024, respectively. The deferred allowance represents the portion of the allowance for subscription cancellations associated with deferred revenue.

The beginning and ending balances of and changes to the allowance and the deferred allowance are as follows:

| | For the year ended December 31, | | | | | |
|--|---------------------------------|-----------------|-------------|---------------|------------|-----------------|
| | 2025 | | 2024 | | 2023 | |
| | Balance | Net Change | Balance | Net Change | Balance | Net Change |
| Allowance balance, January 1, | \$ (16,838) | | \$ (16,272) | | \$ (9,554) | |
| Allowance balance, December 31, | (11,466) | | (16,838) | | (16,272) | |
| Change in allowance | | \$ (5,372) | | \$ 566 | | \$ 6,718 |
| Deferred allowance balance, January 1, | 12,028 | | 11,741 | | 7,133 | |
| Deferred allowance balance, December 31, | 4,120 | | 12,028 | | 11,741 | |
| Change in deferred allowance | | 7,908 | | (287) | | (4,608) |
| Net amount charged to revenues | | <u>\$ 2,536</u> | | <u>\$ 279</u> | | <u>\$ 2,110</u> |

The amount of revenue recognized during the years ended December 31, 2025, 2024, and 2023 that was included in the opening deferred revenue balance of the same fiscal year was \$339,326, \$290,143, and \$268,847, respectively.

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The portion of deferred revenue expected to be recognized in revenue beyond one year is included in deferred revenue, net of current portion in the consolidated balance sheets. The tables provide information about the balances of and changes to deferred revenue for the following periods:

| | <u>As of December 31,</u> | |
|-------------------------------|---------------------------|-------------------|
| | <u>2025</u> | <u>2024</u> |
| Balances: | | |
| Deferred revenue, current | \$ 382,839 | \$ 339,326 |
| Deferred revenue, non-current | 5,209 | 4,840 |
| Total deferred revenue | <u>\$ 388,048</u> | <u>\$ 344,166</u> |

| | <u>For the year ended December 31,</u> | | |
|-------------------------------------|--|-------------------|-------------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| Changes to deferred revenue: | | | |
| Beginning balance | \$ 344,166 | \$ 292,720 | \$ 279,136 |
| Additional amounts deferred | 792,326 | 718,222 | 585,971 |
| Revenues recognized | (748,444) | (666,776) | (572,387) |
| Ending balance | <u>\$ 388,048</u> | <u>\$ 344,166</u> | <u>\$ 292,720</u> |

Deferred revenue at December 31, 2025 will be recognized as follows for all future years:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2026 | \$ 382,839 |
| 2027 | 4,924 |
| 2028 | 284 |
| 2029 | 1 |
| Total | <u>\$ 388,048</u> |

Contract costs

Deferred sales commissions earned by the Company's sales force and certain sales incentive programs and vendor referral agreements are considered incremental and recoverable costs of obtaining a contract with a customer. An asset is recognized for these incremental contract costs and included as deferred commissions in the consolidated balance sheets. These contract costs are amortized on a straight-line basis over a period consistent with the transfer of the associated product and services to the customer, which is generally one to three years. Amortization of these costs are included in selling and marketing expense in the consolidated statements of comprehensive income (loss). The Company periodically reviews these contract assets to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these assets. There were no impairment losses recorded for the periods presented.

The changes to contract cost balances as of and for the following periods are:

| | <u>For the year ended December 31,</u> | | |
|------------------------------|--|------------------|------------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| Deferred commissions: | | | |
| Beginning balance | \$ 27,480 | \$ 21,237 | \$ 15,463 |
| Additions | 27,977 | 23,736 | 16,552 |
| Amortization | (23,550) | (17,493) | (10,778) |
| Ending balance | <u>\$ 31,907</u> | <u>\$ 27,480</u> | <u>\$ 21,237</u> |

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3. ACQUISITIONS

ecosio GmbH

On August 30, 2024 (the “Acquisition Date”), the Company purchased 100% of the share interests in ecosio, a limited liability company incorporated under the laws of Austria and a provider of electronic data interchange (“EDI”) and e-invoicing services. The acquisition was completed with the goal of integrating ecosio’s cloud-based, scalable global network with the Company’s indirect tax solutions to enable customers to facilitate the creation, exchange, and clearance of jurisdictionally compliant e-invoices and seamlessly reconcile these invoices with their periodic filing requirements. Ecosio’s operations and offerings were integrated into the Company’s one operating segment.

The acquisition was accounted for as a business combination. Upon its acquisition, ecosio became a wholly owned subsidiary of the Company, and its operations have been included in the Company’s consolidated financial statements commencing on the Acquisition Date.

Total Purchase Consideration

Total purchase consideration for the ecosio acquisition was \$169,041, net of \$788 cash acquired, which was comprised of the following:

| | August 30, 2024 |
|---|------------------------|
| Upfront cash consideration | \$ 64,829 |
| Cash and Stock Earn-outs, at fair value | 105,000 |
| Total | \$ 169,829 |

The initial cash consideration was \$65,000, adjusted for certain closing adjustments and transaction costs paid on behalf of ecosio. The cash consideration was paid with existing cash on hand.

The contingent consideration liabilities included in the consideration are in the form of cash, with an aggregate of up to \$94,355 (the “Cash Earn-outs”), and stock, with an aggregate value of up to \$35,000 (the “Stock Earn-outs,” and together with the Cash Earn-outs, the “Earn-outs”), assuming maximum payouts. The Earn-outs will be based upon ecosio’s monthly software revenues meeting specified annual targets over a three-year period. The Cash Earn-outs are payable annually and also contain a catch-up mechanism. The Stock Earn-outs are payable annually and are settled in shares of the Company’s Class A common stock. The fair value of the Cash and Stock Earn-outs at acquisition was \$71,000 and \$34,000, respectively, and was measured on the Acquisition Date using a Monte Carlo simulation in a risk-neutral framework, calibrated to management’s revenue forecasts. The final payments may be adjusted depending on the actual amount, above or below the targets. The Stock Earn-outs are classified as a liability on the consolidated balance sheets in accordance with ASC Topic 815, “*Derivatives and Hedging*.” For further information on the Earn-outs, including recurring fair value adjustments, refer to Note 5, “Financial Instruments and Fair Value Measurements.”

Fair Value of Assets Acquired and Liabilities Assumed

The purchase price was allocated to the net assets acquired based on management’s determination of their estimated fair values using available information as of the Acquisition Date. The excess of purchase consideration over the net assets acquired is recorded as goodwill, which primarily reflects the existence of intangible assets not recognized under U.S. GAAP such as the value of expected future synergies, the value of the assembled workforce and other market factors. The fair values of these amounts on the Acquisition Date, which are reflected in the table below, were finalized during the fourth quarter of 2024. These amounts include Measurement Period adjustments resulting in a decrease to deferred income tax liabilities of \$3,879, and various other adjustments resulting in a net reduction to goodwill of \$3,841. Any subsequent adjustments to these values will be recorded in the consolidated statements of comprehensive income (loss) in the period in which the adjustment is identified.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed as recorded in the Company's consolidated balance sheets as of the Acquisition Date:

| | <u>August 30, 2024</u> |
|---|------------------------|
| Cash and cash equivalents | \$ 788 |
| Accounts receivable | 2,068 |
| Prepaid expenses and other current assets | 475 |
| Property and equipment ⁽¹⁾ | 63,984 |
| Other assets | 263 |
| Goodwill ⁽²⁾ | 119,668 |
| Other intangibles | 5,950 |
| Accounts payable | (1,118) |
| Operating lease liabilities | (229) |
| Third-party debt | (3,904) |
| Accrued expenses | (5,222) |
| Deferred revenue | (752) |
| Deferred income tax | (12,142) |
| Total | <u>\$ 169,829</u> |

⁽¹⁾ Includes \$63,800 of acquired developed technology.

⁽²⁾ Goodwill associated with the acquisition is not deductible for tax purposes.

The fair value, valuation methodologies, estimated useful lives, and significant assumptions of the identifiable intangibles acquired in the ecosio acquisition are summarized in the table below:

| | | <u>August 30, 2024</u> | | | |
|--|--------------------------------------|------------------------|---|------------------------------|----------------------|
| <u>ecosio Identifiable Intangibles</u> | <u>Balance Sheet Location</u> | <u>Fair Value</u> | <u>Valuation Methodology</u> | <u>Estimated Useful Life</u> | <u>Discount Rate</u> |
| Developed technology | Property and equipment, net | \$ 63,800 | Multi-period excess earnings method - income approach | 7 years | 15.5 % |
| Trade name | Goodwill and other intangible assets | \$ 1,450 | Relief from royalty method - income approach | 3 years | 15.5 % |
| Customer relationships | Goodwill and other intangible assets | \$ 4,500 | With and without method - income approach | 3 years | 15.5 % |

Third-party experts were engaged to assist in the valuation of identifiable intangible assets and Earn-out payments as part of the acquisition. All estimates, key assumptions, and forecasts were either provided or reviewed by the Company. Significant assumptions applied in the valuation of developed technology, tradename, and customer relationships include cash flow projections, revenue growth rates, cost of sales and margin projections, obsolescence curve, and royalty rates. While the Company chose to utilize a third-party valuation specialist for assistance, the fair value analysis and related valuations reflect the conclusions of the Company, and not those of any third-party.

Total transaction costs associated with the ecosio acquisition were \$40 and \$1,698 for the years ended December 31, 2025 and 2024, respectively and are recorded in other operating expense (income), net in the consolidated statements of comprehensive income (loss).

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

Asset Acquisition

Artificial Intelligence Tax Categorization

On May 31, 2024, the Company entered into an asset purchase agreement with Ryan, LLC (“Ryan”) to acquire tax-specific artificial intelligence (“AI”) capabilities, designed to more effectively manage the complexity of tax mapping. The acquisition will accelerate the Company’s AI innovation strategy to help global companies manage tax complexity with greater speed and scale.

The Company paid \$6,075 in closing consideration, which included \$75 in transaction costs. The purchase agreement also includes the potential for earn-out payments and referral fees to Ryan over a five-year period. The earn-out payments will be paid annually in an amount equal to the (a) applicable percentage (ranging from 0% to 35%) multiplied by (b) new sales (excluding new sales to new customers). The referral fees will be paid annually to compensate Ryan for new customers in an amount equal to 35% multiplied by new sales from such new customers. The agreement also contained the assignment and assumption of certain immaterial contracts related to the software. The Company did not owe any earn-out payments or referral fees related to this agreement as of December 31, 2025.

Following the guidance provided under the FASB Accounting Standards Update No. 2017-01, *Clarifying the Definition of a Business*, the transaction was accounted for as an asset acquisition and the entire consideration was allocated to the asset and recognized as in-process internal-use software within property and equipment on the consolidated balance sheets. Once placed into service, the asset will be reported as internal-use cloud-based customer solutions software, net of accumulated amortization within property and equipment on the consolidated balance sheets and will amortize over its assigned useful life of five years.

Unaudited Pro Forma Financial Information

Unaudited proforma financial information has not been presented, as the information from the acquired companies would not have had a material impact individually or in the aggregate for the prior year periods.

4. INVESTMENTS

The table below presents the amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value aggregated by major security type as of December 31, 2025 and 2024. Accrued interest receivable of \$40 as of December 31, 2024 is not included in the tables. During 2025, the Company fully liquidated these securities.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

| | As of December 31, 2024 | | | | |
|---|-------------------------|-----------------------------|-----------------------------|-----------------------------------|------------------|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Allowance For Credit Losses | Fair Value |
| Investment securities available for sale: | | | | | |
| Commercial paper | \$ 4,920 | \$ — | \$ — | \$ — | \$ 4,920 |
| Corporate bonds | 250 | — | — | — | 250 |
| U.S. Treasury securities | 5,970 | 14 | (1) | — | 5,983 |
| Total investment securities available for sale | \$ 11,140 | \$ 14 | \$ (1) | \$ — | \$ 11,153 |

Investment Securities in a Gross Unrealized Loss Position

The table below provides the gross unrealized losses and fair value of securities available-for-sale aggregated by major security type and the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2024. The amounts include securities available-for-sale without an allowance for credit losses. As of December 31, 2024, the Company's available-for-sale investment securities consisted of 42 securities, 2 of which are in an immaterial unrealized loss position. As a result, there is no allowance for credit losses recorded for available-for-sale debt securities.

| | As of December 31, 2024 | | | | | |
|---|-------------------------|-----------------------------|---------------------|-----------------------------|---------------|-----------------------------|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss |
| Investment securities available for sale without an allowance for credit losses: | | | | | | |
| U.S. Treasury securities | \$ — | \$ — | \$ 600 | \$ (1) | \$ 600 | \$ (1) |
| Total investment securities available for sale | \$ — | \$ — | \$ 600 | \$ (1) | \$ 600 | \$ (1) |

The Company's debt securities portfolio had unaccreted discounts of \$59 and had no remaining unamortized premiums as of December 31, 2024.

Net Securities Gains or Losses and Securities Pledged

During 2025, the Company fully liquidated the available-for-sale securities, which resulted in a realized gain of \$19, which is included in the interest expense (income), net line of the consolidated statements of comprehensive income for the year ended December 31, 2025. The Company had no sales of debt securities during 2024. During 2023, the Company had sales of debt securities totaling \$2,336, resulting in a realized loss of \$4. No securities were pledged during the years ended December 31, 2025, 2024 or 2023.

No net gains or losses and no unrealized gains or losses were recognized on equity securities held during the years ended December 31, 2025, 2024 or 2023.

Kintsugi AI, Inc.

In April 2025, the Company entered into a Preferred Stock Purchase Agreement (the "Purchase Agreement") with Kintsugi AI, Inc. ("Kintsugi"), a San Francisco-based, AI startup focused on automating sales tax compliance for small and mid-size businesses (the "Kintsugi Investment" or the "Long-Term Investment"). The Company completed the Kintsugi Investment with the goal of expanding use of AI in its tax software solutions to deliver new innovations to customers.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

Pursuant to the Purchase Agreement, the Company purchased 1,568 preferred shares (the “Preferred Stock”) for aggregate consideration of approximately \$15,000 (the “Purchase Price”), representing approximately 10% of the fully diluted shares outstanding of Kintsugi on an “as converted” basis, and received a warrant to purchase 320 shares of Kintsugi’s Class A common stock at a price of \$0.01 per share (the “Warrant”). The Warrant will vest before September 30, 2026, subject to Kintsugi failing to achieve a certain annualized recurring monthly revenue threshold on or before June 30, 2026.

The Company and Kintsugi also entered into a license and intellectual property sharing arrangement (the “License Agreement”) providing for, among other things, the Company’s use of and collaboration with respect to certain of Kintsugi’s intellectual property. Additionally, the Company has designated one member to Kintsugi’s board of directors.

In accordance with ASC 805-50-30-3, the Company allocated the full Purchase Price to the value of the Preferred Stock as the fair value of both the Warrant and the License Agreement were determined to be nil.

The Company classified the Preferred Stock as an equity security under ASC 321, Investments – Equity Securities. As Kintsugi is a privately held company without a readily determinable fair value, the Preferred Stock qualifies for the measurement alternative under ASC 321 and is measured at cost, less impairment, subject to upward and downward adjustments resulting from observable price changes for identical or similar investments of the same issuer. These adjustments require quantitative assessments of the fair value, which may require the use of unobservable inputs, which management considers to be Level 3 measurements under the fair value hierarchy. The Company performs a qualitative assessment each reporting period to identify indicators of impairment. No observable price change or impairment adjustments have been recorded in 2025. The \$15,000 carrying value of the Kintsugi Investment is presented in the long-term investment line in the consolidated balance sheets.

The fair value of the Warrant was determined by third-party valuation specialists using a Monte Carlo simulation in a risk-neutral framework calibrated to management’s revenue forecasts. The following assumptions were used: expected revenue volatility of 24.5%, equity volatility of 75.0%, a revenue discount rate of 7.2%, and expected term of 0.8 years.

Total transaction costs associated with the Kintsugi Investment are recorded in other operating expense (income), net in the consolidated statements of comprehensive income and amounts are not material.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company's fair value for its financial assets and liabilities measured at fair value on a recurring basis:

| | Fair Value Measurements Using | | | |
|-----------------------------------|-------------------------------|---|---|---|
| | Fair Value | Prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| As of December 31, 2025 | | | | |
| Money Market Funds | \$ 266,892 | \$ 266,892 | \$ — | \$ — |
| ecosio Cash Earn-outs | 86,600 | — | — | 86,600 |
| ecosio Stock Earn-outs | 18,900 | — | — | 18,900 |
| Long-Term Investment (See Note 4) | 15,000 | — | — | 15,000 |

| | Fair Value Measurements Using | | | |
|--------------------------------|-------------------------------|---|---|---|
| | Fair Value | Prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| As of December 31, 2024 | | | | |
| Money Market Funds | \$ 276,374 | \$ 276,374 | \$ — | \$ — |
| Commercial Paper | 4,920 | — | 4,920 | — |
| Corporate Bonds | 250 | — | 250 | — |
| U.S. Treasury Securities | 5,983 | — | 5,983 | — |
| ecosio Cash Earn-outs | 74,400 | — | — | 74,400 |
| ecosio Stock Earn-outs | 48,100 | — | — | 48,100 |

The Company has investments in Money Market Funds, which are included in cash and cash equivalents on the consolidated balance sheets. Fair value inputs for these investments are considered Level 1 measurements within the Fair Value Hierarchy since Money Market Fund fair values are known and observable through daily published floating net asset values. Securities classified as available-for-sale are reported at fair value using Level 2 inputs. For the Commercial Paper, Corporate Bonds, and U.S. Treasury Securities, the Company believes that Level 2 designation is appropriate under ASC 820-10, Fair Value Measurements and Disclosures, as these securities are fixed income securities, none are exchange traded, and all are priced by correlation to observed market data. For these securities the Company obtained fair value measurements from an independent pricing service. The fair value measurements considered observable data that may have included dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

ecosio Earn-outs

In connection with the August 2024 ecosio acquisition, the sellers are entitled to three annual Earn-outs based on ecosio's achievement of certain monthly software revenue targets measured over an aggregate of 12 months and paid within 90 days after the relevant measurement period. The fair values of the Cash Earn-outs and the Stock Earn-outs were measured on the Acquisition Date using a Monte Carlo simulation in a risk-neutral framework, calibrated to management's revenue forecasts. Additional information on the Cash Earn-outs and the Stock Earn-outs is presented in the following table below.

| <u>Cash Earn-outs/ Period</u> | <u>Maximum Payout</u> | <u>Fair Value December 31, 2025</u> | <u>Fair Value December 31, 2024</u> |
|--|-----------------------|-------------------------------------|-------------------------------------|
| Year 1 - December 1, 2024 - December 1, 2025 | \$ 19,600 | \$ 19,400 | \$ 17,900 |
| Year 2 - December 1, 2025 - December 1, 2026 | 30,625 | 28,600 | 24,400 |
| Year 3 - December 1, 2026 - December 1, 2027 | 44,130 | 38,600 | 32,100 |
| Total Cash Earn-outs | <u>\$ 94,355</u> | <u>\$ 86,600</u> | <u>\$ 74,400</u> |

| <u>Stock Earn-outs/ Period</u> | <u>Maximum Payout ⁽¹⁾</u> | <u>Fair Value December 31, 2025</u> | <u>Fair Value December 31, 2024</u> |
|--|--------------------------------------|-------------------------------------|-------------------------------------|
| Year 1 - December 1, 2024 - December 1, 2025 | \$ 12,000 | \$ 6,500 | \$ 17,200 |
| Year 2 - December 1, 2025 - December 1, 2026 | 12,000 | 6,500 | 16,300 |
| Year 3 - December 1, 2026 - December 1, 2027 | 11,000 | 5,900 | 14,600 |
| Total Stock Earn-outs | <u>\$ 35,000</u> | <u>\$ 18,900</u> | <u>\$ 48,100</u> |

⁽¹⁾ Maximum payout based on Vertex's August 6, 2024 opening share price of \$37.02, as referenced in the purchase agreement.

Actual payouts are further adjusted depending on ecosio's software revenue attainment for each of the measurement periods. In the event that actual software revenues exceed 100% of the target, additional payments may be made up to a maximum of 122.5% of the annual target. If actual software revenues are below 85% of the target, no payouts are made for that measurement period. The Stock Earn-outs are paid in shares of the Company's Class A common stock.

The Cash Earn-outs and Stock Earn-outs are recorded at fair value in the consolidated balance sheets as follows:

| | <u>As of December 31,</u> | | | |
|-----------------|-------------------------------|-----------------------------------|-------------------------------|-----------------------------------|
| | <u>2025</u> | | <u>2024</u> | |
| | <u>Current ⁽¹⁾</u> | <u>Non-Current ⁽²⁾</u> | <u>Current ⁽¹⁾</u> | <u>Non-Current ⁽²⁾</u> |
| Cash Earn-outs | \$ 19,400 | \$ 67,200 | \$ 17,900 | \$ 56,500 |
| Stock Earn-outs | 6,500 | 12,400 | 17,200 | 30,900 |
| Total | <u>\$ 25,900</u> | <u>\$ 79,600</u> | <u>\$ 35,100</u> | <u>\$ 87,400</u> |

⁽¹⁾ Included in purchase commitment and contingent consideration liabilities, current.

⁽²⁾ Included in purchase commitment and contingent consideration liabilities, net of current portion.

These Earn-outs represent recurring fair value measurements with significant unobservable inputs, which management considers to be Level 3 measurements under the fair value hierarchy. The final payments may be adjusted depending on the actual amount, above or below the target. The Earn-outs will be revalued and adjusted quarterly until the end of the Earn-out periods, and any fair value adjustments will be recorded in the change in fair value of acquisition contingent earn-outs line of the consolidated statements of income (loss).

Adjustments to the fair values of the Cash Earn-outs and the Stock Earn-outs of \$12,200 and \$(29,200), respectively, were recorded in change in fair value of acquisition contingent earn-outs for the year ended December 31, 2025. Adjustments to the fair values of the Cash Earn-outs and the Stock Earn-outs of \$3,400 and \$14,100, respectively, were recorded in change in fair value of acquisition contingent earn-outs for the year ended December 31, 2024.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

The fair values of the Cash Earn-outs and the Stock Earn-outs and unobservable inputs used for the Monte Carlo Simulation valuation are shown in the table below.

| Liabilities | December 31, 2025 | | | |
|---|--------------------------|----------------------------|----------------------------|--------|
| | Fair Value | Valuation Technique | Unobservable Inputs | |
| ecosio Contingent Consideration - Cash Earn-outs | \$ 86,600 | Monte Carlo Simulation | Revenue volatility | 21.0 % |
| | | | Revenue discount rate | 6.8 % |
| | | | Term (in years) | 2.2 |
| ecosio Contingent Consideration - Stock Earn-outs | \$ 18,900 | Monte Carlo Simulation | Revenue volatility | 21.0 % |
| | | | Revenue discount rate | 6.8 % |
| | | | Term (in years) | 2.2 |

| Liabilities | December 31, 2024 | | | |
|---|--------------------------|----------------------------|----------------------------|--------|
| | Fair Value | Valuation Technique | Unobservable Inputs | |
| ecosio Contingent Consideration - Cash Earn-outs | \$ 74,400 | Monte Carlo Simulation | Revenue volatility | 21.0 % |
| | | | Revenue discount rate | 7.7 % |
| | | | Term (in years) | 3.2 |
| ecosio Contingent Consideration - Stock Earn-outs | \$ 48,100 | Monte Carlo Simulation | Revenue volatility | 21.0 % |
| | | | Revenue discount rate | 7.7 % |
| | | | Term (in years) | 3.2 |

Tellutax, LLC Contingent Consideration

The 2021 Tellutax, LLC (“Tellutax”) acquisition entitled the sellers to contingent consideration if sales targets are met during a period of time following the acquisition (the “Tellutax Contingent Consideration”). The estimated fair value of the Tellutax Contingent Consideration as of the acquisition date of January 25, 2021 was \$2,200.

The Tellutax Contingent Consideration was based on three potential earn-out payments determined by periodic revenue achievements over a thirty-month period. Such estimates represented recurring fair value measurements with significant unobservable inputs, which management considered to be Level 3 measurements under the Fair Value Hierarchy. The significant assumptions used in these calculations included forecasted results and the estimated likelihood for each performance scenario. The fair value of Tellutax Contingent Consideration was estimated using a Monte Carlo Simulation to compute the expected cash flows from earn-out payments specified in the purchase agreement. The earn-out payments had no maximum limit, but when certain targets were not met, there was no earn-out payment for the applicable measurement period.

Adjustments to the Tellutax Contingent Consideration fair value of \$200, \$(2,575), and \$1,549 were recorded in other operating expense, net for the years ended December 31, 2025, 2024, and 2023, respectively.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

Beginning and ending balances in fair value of the Company’s Level 3 liabilities were as follows:

| | Tellutax Contingent Consideration | ecosio Contingent Consideration | | Kintsugi Long-Term Investment |
|-----------------------------|---|------------------------------------|------------------|-------------------------------------|
| | | Cash Earn-outs | Stock Earn-outs | |
| Balance, January 1, 2023 | \$ 4,800 | \$ — | \$ — | \$ — |
| Fair value adjustments | 1,549 | — | — | — |
| Payments | (1,449) | — | — | — |
| Balance, December 31, 2023 | 4,900 | — | — | — |
| ecosio acquisition (Note 3) | — | 71,000 | 34,000 | — |
| Fair value adjustments | (2,575) | 3,400 | 14,100 | — |
| Payments | (2,325) | — | — | — |
| Balance, December 31, 2024 | — | 74,400 | 48,100 | — |
| Initial measurement | — | — | — | 15,000 |
| Fair value adjustments | — | 12,200 | (29,200) | — |
| Payments | — | — | — | — |
| Balance, December 31, 2025 | <u>\$ —</u> | <u>\$ 86,600</u> | <u>\$ 18,900</u> | <u>\$ 15,000</u> |

Assets and Liabilities for Which Fair Value is Only Disclosed

The carrying amounts of cash and cash equivalents and the carrying amount of funds held for customers were the same as their respective fair values and are considered Level 1 measurements.

The carrying amount of the Company’s bank debt approximates fair value as the variable rates on the debt approximate those commercially available in the market and is considered a Level 3 measurement.

Non-recurring Fair Value Measurements

The ecosio acquisition on August 30, 2024, the Tellutax acquisition on January 25, 2021, and the Systax acquisition on January 10, 2020, were accounted for as business combinations and the total purchase price for each acquisition was allocated to the net assets acquired and liabilities assumed based on their estimated fair values.

The Company had a contractual commitment to acquire the remaining equity interest from the original Systax quotaholders incrementally through 2024. Purchase commitment payments for these incremental acquisition amounts were based on a multiple of Systax revenue and earnings before interest, depreciation, amortization, and income taxes (“EBITDA”) performance at the end of 2023 and 2022. Management determined these future purchase commitments to be a forward contract, resulting in the Company being required to estimate and record an estimated future purchase commitment amount (the “Purchase Commitment Liability”) in connection with recording the initial purchase. Adjustments to the settlement date value that arose as a result of remeasurement at future balance sheet dates were reflected as interest expense related to financing costs in the consolidated statements of comprehensive income (loss) in the period the change is identified. The Company recorded increases in interest expense of \$423, and \$4,020 during 2024 and 2023, respectively, associated with recording an increase in the settlement value. During the second quarter of 2024, the Company paid \$9,622 to acquire the remaining 20% equity interest of Systax, which increased the Company’s ownership percentage of Systax to 100%, and settled the outstanding Purchase Commitment Liability.

The Company estimated the initial fair value of the Purchase Commitment Liability using a Monte Carlo Simulation, which the Company considers to be a Level 3 measurement. The significant assumptions used in the Monte Carlo Simulation include, among other variables, forecasted cash flow projections consistent with those used to support the

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

overall purchase price, selection of comparable companies, asset volatility and discount rate determinations, and the total number of simulations to compute.

Derivative Instruments

The Company may periodically enter into derivative contracts to reduce its exposure to foreign currency exchange rates. Historically the Company has not designated derivative contracts as hedges. The derivative contracts are typically designed to manage specific risks according to the Company’s strategies, which may change from time to time.

The Company entered into a series of foreign currency forward contracts to reduce its exposure to adverse fluctuations in the Brazilian Real associated with a portion of the Purchase Commitment Liability. Such forward contracts, were not designated as a hedge, did not qualify for hedge accounting and were not material to the consolidated financial statements. During 2024, the forward currency contracts matured as the Company settled the outstanding Purchase Commitment Liability.

Convertible Senior Notes

At December 31, 2025 and 2024, the fair value of the Notes (as defined in Note 10) were \$327,043 and \$539,494, respectively. The fair value was determined based on the quoted price of the Notes in an over-the-counter market on the last trading day of the reporting period and has been classified as Level 2 in the Fair Value Hierarchy. For further information on the Notes, refer to Note 10, “Debt.”

6. PROPERTY AND EQUIPMENT

The major components of property and equipment are as follows:

| | As of December 31, | |
|--|---------------------------|-------------------|
| | 2025 | 2024 |
| Leasehold improvements | \$ 20,395 | \$ 20,096 |
| Equipment | 16,426 | 14,386 |
| Computer software purchased | 1,383 | 1,344 |
| Internal-use software developed: | | |
| Cloud-based customer solutions | 328,648 | 237,232 |
| Internal systems and tools | 92,074 | 72,406 |
| Furniture and fixtures | 7,187 | 7,292 |
| In-process internal-use software | 21,416 | 28,916 |
| Property and equipment | 487,529 | 381,672 |
| Less accumulated depreciation and amortization | (277,802) | (204,113) |
| Property and equipment, net | <u>\$ 209,727</u> | <u>\$ 177,559</u> |

Depreciation expense for property and equipment, excluding all internal-use software developed and finance leases, was \$4,352, \$4,394, and \$5,847 for the years ended December 31, 2025, 2024, and 2023, respectively. Depreciation for property and equipment, excluding internal-use software developed for cloud-based customer solutions, is included in depreciation and amortization in the consolidated statements of comprehensive income (loss).

Finance lease amortization was \$74, \$78, and \$610 for the years ended December 31, 2025, 2024, and 2023, respectively. Finance lease amortization is included in depreciation and amortization in the consolidated statements of comprehensive income (loss).

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

Assets under finance leases of \$265, and \$172, net of accumulated amortization of \$171 and \$97, at December 31, 2025 and 2024, respectively, are included in property and equipment in the consolidated balance sheets.

The major components of internal-use software developed are as follows:

| | <u>As of December 31,</u> | |
|--|---------------------------|-------------------|
| | <u>2025</u> | <u>2024</u> |
| Internal-use software developed | \$ 420,722 | \$ 309,638 |
| Less accumulated depreciation | (244,374) | (171,181) |
| Internal-use software developed, net of accumulated depreciation | 176,348 | 138,457 |
| In-process internal-use software | 21,416 | 28,916 |
| Internal-use software developed, net | <u>\$ 197,764</u> | <u>\$ 167,373</u> |

Amounts included in property and equipment additions related to capitalized internal-use software on the consolidated statements of cash flows are as follows:

| | <u>For the year ended December 31,</u> | |
|--------------------------------|--|------------------|
| | <u>2025</u> | <u>2024</u> |
| Cloud-based customer solutions | \$ 66,771 | \$ 45,374 |
| Internal systems and tools | 23,476 | 19,024 |
| Total | <u>\$ 90,247</u> | <u>\$ 64,398</u> |

In-process internal-use software developed is not depreciated until it is available for its intended use. Depreciation expense for internal-use software developed for cloud-based customer solutions for the years ended December 31, 2025, 2024, and 2023, was \$47,254, \$35,312, and \$34,592, respectively, and is included in cost of revenues, software subscriptions in the consolidated statements of comprehensive income (loss). Depreciation expense related to the developed technology acquired in the ecosio acquisition was \$10,039 and \$2,962 for the years ended December 31, 2025 and 2024, respectively, and is included in cost of revenues - software subscriptions in the consolidated statements of comprehensive income (loss).

Depreciation expense for internal-use software developed for internal systems and tools for the years ended December 31, 2025, 2024, and 2023 was \$20,386, \$16,481, and \$8,745, respectively, and is included in depreciation and amortization in the consolidated statements of comprehensive income (loss).

Amortization expense of internal-use software developed, excluding in-process internal-use software not yet available for its intended use at December 31, 2025 is as follows for all future years:

| <u>Year Ending December 31,</u> | <u>Internal Systems and Tools</u> | <u>Cloud-Based Customer Solutions</u> |
|---------------------------------|---------------------------------------|---|
| 2026 | \$ 19,163 | \$ 52,295 |
| 2027 | 10,669 | 41,007 |
| 2028 | 4,156 | 23,226 |
| 2029 | — | 9,687 |
| 2030 | — | 16,145 |
| Total | <u>\$ 33,988</u> | <u>\$ 142,360</u> |

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

7. CAPITALIZED SOFTWARE

Capitalized software includes acquired software and direct labor and related expenses for software developed for sale for new products and enhancements to existing products.

The major components of capitalized software are as follows:

| | <u>As of December 31,</u> | |
|---|---------------------------|------------------|
| | <u>2025</u> | <u>2024</u> |
| Capitalized software | \$ 161,402 | \$ 140,562 |
| Less accumulated amortization | (126,890) | (105,175) |
| Capitalized software, net of accumulated depreciation | 34,512 | 35,387 |
| In-process capitalized software | 968 | 963 |
| Capitalized software, net | <u>\$ 35,480</u> | <u>\$ 36,350</u> |

Software development costs capitalized for the years ended December 31, 2025, 2024, and 2023, excluding acquisitions, were \$21,718, \$21,344, and \$18,972, respectively. Capitalized software amortization expense, including amortization of acquired technology, for the years ended December 31, 2025, 2024, and 2023 was \$22,588, \$23,765, and \$19,213, respectively, and is included in cost of revenues, software subscriptions in the consolidated statements of comprehensive income (loss).

In-process capitalized software at December 31, 2025 was not available for general release to customers as of the balance sheet date and therefore not included in the table below. Amortization expense of capitalized software available for general release to customers as of December 31, 2025 is as follows for all future years:

| <u>Year Ending December 31,</u> | |
|---------------------------------|------------------|
| 2026 | \$ 19,588 |
| 2027 | 11,115 |
| 2028 | 3,809 |
| Total | <u>\$ 34,512</u> |

8. LEASES

The Company leases office space, IT equipment and office equipment. The Company's leases have remaining terms of up to 4.3 years.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
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The following table sets forth the Company's lease assets and liabilities and their balance sheet location as follows:

| | <u>Balance Sheet Location</u> | <u>As of December 31,</u> | |
|--|---|---------------------------|------------------|
| | | <u>2025</u> | <u>2024</u> |
| Lease assets: | | | |
| Operating lease right-of-use assets | Operating lease right-of-use assets | \$ 9,678 | \$ 11,956 |
| Finance lease assets | Property and equipment, net (Note 6) | 94 | 75 |
| Total lease assets | | \$ 9,772 | \$ 12,031 |
| Lease liabilities: | | | |
| Current: | | | |
| Operating lease liabilities | Current portion of operating lease liabilities | \$ 4,283 | \$ 3,995 |
| Finance lease liabilities | Current portion of finance lease liabilities | 55 | 77 |
| Total current lease liabilities | | \$ 4,338 | \$ 4,072 |
| Non-current: | | | |
| Operating lease liabilities | Operating lease liabilities, net of current portion | \$ 8,903 | \$ 12,585 |
| Finance lease liabilities | Finance lease liabilities, net of current portion | 54 | 10 |
| Total non-current lease liabilities | | 8,957 | 12,595 |
| Total lease liabilities | | \$ 13,295 | \$ 16,667 |

The major components of lease cost are as follows:

| | <u>For the year ended December 31,</u> | | |
|-------------------------------|--|-----------------|-----------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| Operating lease cost | \$ 3,649 | \$ 3,679 | \$ 4,019 |
| Finance lease cost: | | | |
| Amortization of lease assets | 74 | 79 | 788 |
| Interest on lease liabilities | 4 | 6 | 8 |
| Total lease cost | \$ 3,727 | \$ 3,764 | \$ 4,815 |

The weighted-average term and discount rate for leases are as follows:

| | <u>As of December 31,</u> | |
|---|---------------------------|-------------|
| | <u>2025</u> | <u>2024</u> |
| Weighted-average remaining lease term (years): | | |
| Operating leases | 2.9 | 3.7 |
| Finance leases | 2.4 | 1.1 |
| Weighted-average discount rate: | | |
| Operating leases | 2.7 % | 2.4 % |
| Finance leases | 6.0 % | 6.1 % |

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

Lease liability maturities for the next five years and thereafter are as follows as of December 31, 2025:

| | <u>Operating Leases</u> | <u>Finance Leases</u> |
|------------------------------------|-------------------------|-----------------------|
| 2026 | \$ 4,561 | \$ 59 |
| 2027 | 5,023 | 34 |
| 2028 | 3,761 | 22 |
| 2029 | 279 | — |
| 2030 | 93 | — |
| Thereafter | — | — |
| Total lease payments | <u>13,717</u> | <u>115</u> |
| Less: Imputed interest | <u>(531)</u> | <u>(6)</u> |
| Present value of lease liabilities | <u>\$ 13,186</u> | <u>\$ 109</u> |

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are as follows for the periods presented:

| | <u>As of December 31,</u> | |
|------------------------------|---------------------------|-------------------|
| | <u>2025</u> | <u>2024</u> |
| Goodwill | \$ 392,493 | \$ 357,823 |
| Other intangible assets, net | 3,513 | 5,198 |
| Total | <u>\$ 396,006</u> | <u>\$ 363,021</u> |

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

The changes in the carrying amount of goodwill are as follows for the periods presented:

| | As of December 31, | |
|--|--------------------|-------------------|
| | 2025 | 2024 |
| Balance, January 1 | \$ 357,823 | \$ 257,842 |
| ecosio acquisition | — | 119,668 |
| Foreign currency translation adjustments | 34,670 | (19,687) |
| Balance, December 31, gross | 392,493 | 357,823 |
| Accumulated impairment losses | — | — |
| Balance, December 31, net | <u>\$ 392,493</u> | <u>\$ 357,823</u> |

Amortization expense related to the intangible assets recorded from the ecosio acquisition was \$2,028 and \$644 for the years ended December 31, 2025 and 2024, respectively, and is included in selling and marketing expense in the consolidated statement of net income (loss). The Company also recognized various amortizable other intangible assets in connection with previous acquisitions, including customer relationships, technology, and tradenames. The following tables provide additional information for the Company's other intangible assets:

| | As of December 31, | |
|--|--------------------|------|
| | 2025 | 2024 |
| Weighted average amortization period (years) | 1.7 | 2.6 |

| | As of December 31, 2025 | | As of December 31, 2024 | |
|---------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | \$ 13,053 | \$ 10,396 | \$ 12,276 | \$ 8,362 |
| Trademarks and tradenames | 2,815 | 1,959 | 2,515 | 1,231 |
| Developed technology | 1,158 | 1,158 | 1,027 | 1,027 |
| Total | <u>\$ 17,026</u> | <u>\$ 13,513</u> | <u>\$ 15,818</u> | <u>\$ 10,620</u> |

| For the year ended December 31, | Cost of Revenues, Software Subscriptions | Selling and Marketing Expense | Total Expense |
|---------------------------------|--|----------------------------------|---------------|
| 2025 | \$ — | \$ 2,277 | \$ 2,277 |
| 2024 | 225 | 2,478 | 2,703 |
| 2023 | 243 | 2,641 | 2,884 |

The following table presents estimated future amortization of intangible assets over their remaining estimated useful lives:

| Year Ending December 31, | |
|--------------------------|-----------------|
| 2026 | \$ 2,108 |
| 2027 | 1,405 |
| Total | <u>\$ 3,513</u> |

Vertex, Inc. and Subsidiaries
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(Amounts in thousands, except per share data)

10. DEBT

Credit Agreement

On March 31, 2020, the Company entered into a credit agreement (the “Previous Credit Agreement”) with a bank consisting of a \$175,000 term loan (the “Previous Term Loan”) and a \$100,000 committed line of credit (the “Previous Line of Credit”).

On March 8, 2022, the Company entered into the Second Amendment to Credit Agreement (the “Second Amendment”), with a banking syndicate, which amended the Previous Credit Agreement, providing for, among other modifications, (i) a new term loan in the aggregate amount of \$50,000 (the “Term Loan”); (ii) an extension of the maturity date of the revolving facility (the “Line of Credit”) from March 2025 to March 2027; (iii) an increase in the Line of Credit commitment from \$100,000 to \$200,000; (iv) the Company’s option to select an applicable interest rate at either the bank base rate plus an applicable margin (the “New Base Rate Option”) or Secured Overnight Financing Rate (“SOFR”) plus an applicable margin (the “SOFR Option”); (v) modifications to the financial covenant performance levels which determine applicable margins; and (vi) modifications to certain covenants and events of default. Net proceeds from the Term Loan were used to fund ongoing working capital, capital expenditures, permitted distributions, permitted acquisitions, and general corporate purposes of the Company and its subsidiaries.

The Company paid \$983 in financing costs in connection with the Second Amendment during 2022, which are amortizing over the remaining term of the Credit Agreement. The Company wrote off \$370 in deferred financing fees pertaining to the Previous Credit Agreement associated with a bank exiting the Second Amendment. The remaining balance of deferred financing costs of \$277 pertaining to the remaining bank associated with the Previous Credit Agreement is amortizing over the remaining term of the Credit Agreement. The portion of the deferred financing costs associated with the Line of Credit is included in other assets in the consolidated balance sheets at December 31, 2025 and 2024.

On December 12, 2023, the Company entered into the Third Amendment to Credit Agreement (the “Third Amendment”) and collectively with the Previous Credit Agreement and the Second Amendment, the “Credit Agreement”), with the existing banking syndicate, which provided funding for a proposed acquisition. On January 14, 2024, the Company withdrew its public tender offer related to the proposed acquisition. Certain provisions under the Third Amendment expired on April 30, 2024. The majority of the provisions provided by the Third Amendment were contingent upon the completion of the proposed acquisition, and therefore, immediately reverted to the terms of the Second Amendment due to the withdrawal of the public tender offer.

The Company incurred \$1,112 in financing costs in connection with the Third Amendment during 2023, which are amortizing over the remaining term of the Credit Agreement. The portion of the deferred financing costs associated with the Line of Credit is included in other assets in the consolidated balance sheets at December 31, 2025 and 2024.

On April 19, 2024, the Company entered into the Fourth Amendment to the Credit Agreement (the “Fourth Amendment”) with a banking syndicate, which provided for, among other things, amendments to certain definitions.

On November 4, 2024, the Company entered into a Fifth Amendment to the Credit Agreement (the “Amended and Restated Credit Agreement”), with a banking syndicate, which provided for, among other modifications, an increase in the Line of Credit commitment from \$200,000 to \$300,000 and an extension of the maturity date to November 4, 2029.

The Company incurred \$1,167 in financing costs in connection with the Amended and Restated Credit Agreement during 2024, which are amortizing over the term of the Credit Agreement. The portion of the deferred financing costs

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

associated with the Line of Credit is included in other assets in the consolidated balance sheets at December 31, 2025 and 2024.

On November 14, 2025, the Company entered into the First Amendment to the Amended and Restated Credit Agreement, which provided for, among other things, allowing the Company to make dividends or distributions, including share repurchases, subject to certain conditions. Specifically, such dividends or distributions may be made provided that (i) no event of default has occurred and is continuing or would result from such dividend or distribution and (ii) the Company maintains a pro forma secured debt net leverage ratio of less than 2.50 to 1.00, calculated as if the dividend or distribution and any related indebtedness had occurred as of the last day of the most recent fiscal quarter for which financial statements were delivered.

Outstanding borrowings under the Credit Agreement are collateralized by nearly all of the assets of the Company and contain financial and operating covenants. The Company was in compliance with these covenants at December 31, 2025 and 2024.

Line of Credit

The Line of Credit expires in March 2029. The Company is required to pay a quarterly fee on the difference between the \$300,000 allowed maximum borrowings and the unpaid principal balance outstanding under the Line of Credit at the applicable rate. At December 31, 2025, the New Base Rate Option and SOFR Option applicable to the Line of Credit borrowings were 7.25% and 5.37%, respectively. There were no outstanding borrowings under the Line of Credit at December 31, 2025 or 2024.

Term Loan

On May 10, 2024, the Company repaid the outstanding Term Loan balance of \$46,332, which included \$82 of interest. The Company also wrote off \$276 in deferred financing fees pertaining to the Term Loan in 2024.

Indenture and Notes

On April 26, 2024, the Company issued \$345,000 aggregate principal amount of 0.750% Convertible Senior Notes due 2029 (the "Notes") to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended. The Notes were issued pursuant to, and are governed by, an indenture (the "Indenture") between the Company and U.S. Bank Trust Company, National Association, as trustee. The Notes, issued on April 26, 2024, include an additional \$45,000 aggregate principal amount of Notes, issued pursuant to the full exercise by the initial purchasers of the Notes of their option to purchase additional Notes.

The Notes are the senior, unsecured obligations of the Company and are (i) ranked equal in right of payment with the Company's senior unsecured indebtedness, (ii) senior in right of payment to the Company's indebtedness that is expressly subordinated to the Notes, (iii) effectively subordinated to the Company's senior secured indebtedness, to the extent of the value of the collateral securing that indebtedness, and (iv) structurally subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company's subsidiaries.

The Notes bear interest at a rate of 0.750% per annum on the principal amount thereof, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2024. The Notes will mature on May 1, 2029 (the "maturity date"), unless earlier repurchased, redeemed or converted in accordance with their terms. On November 1, 2028, and thereafter, holders may convert their Notes anytime at their election, until the close of business on the second scheduled trading day immediately before the maturity date. Before November 1, 2028, holders have the right to convert their Notes only upon the occurrence of the following events:

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Notes to Consolidated Financial Statements (continued)
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- During any calendar quarter after June 30, 2024 if the closing price of the Company's Class A common stock for at least 20 trading days in a period of 30 consecutive trading days ending on and including the last trading day of the preceding calendar quarter is more than 130% of the then applicable conversion price (effectively \$47.21) for the Notes per share of common stock.
- During the five business days immediately after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of Notes, as determined following a request by a holder of Notes, for each day of that period was less than 98% of the product of the closing price of the Company's Class A common stock and the then applicable conversion rate.
- If the Company calls any or all of the Notes for redemption, holders may convert all or any portion of their notes at any time prior to the close of business on the scheduled trading day prior to the redemption date, even if the Notes are not otherwise convertible at such time.
- If specified distributions to holders of the Company's Class A common stock are made or specified corporate events occur.

If a holder converts upon a make-whole fundamental change (as defined in the Indenture) or Company redemption, the holder may be eligible to receive a make-whole premium through an increase to the conversion rate.

Upon conversion, the Company will pay or deliver, as applicable, cash, shares of Class A common stock or a combination of cash and shares of Class A common stock at the Company's election. The initial conversion rate for the Notes is 27.5315 shares of Class A common stock per \$1,000 principal amount of Notes, which represents an initial conversion price of approximately \$36.32 per share of Class A common stock and is subject to adjustment upon the occurrence of certain specified events as set forth in the Indenture.

The net proceeds from the offering of the Notes were \$333,716, after deducting the initial purchasers' discount and commissions, and other transaction and offering expenses. The Company used \$42,366 of the net proceeds from this offering to fund the cost of the Capped Call Transactions (as defined below) and intends to use the remainder for working capital or other general corporate expenses, which may include capital expenditures, potential acquisitions, and strategic transactions.

Capped Call Transactions

In connection with the pricing of the Notes on April 23, 2024, the Company entered into privately negotiated capped call transactions (the "Base Capped Calls") with certain financial institutions (together, the "Option Counterparties"). In connection with the exercise of the option to purchase the additional Notes in full, the Company entered into additional capped call transactions with the Option Counterparties (together, the "Additional Capped Call Transactions" and, together with the Base Capped Call Transactions, the "Capped Call Transactions").

The cap price of the Capped Call Transactions will initially be \$55.88 per share of Class A common stock and is subject to certain adjustments under the terms of the Capped Call Transactions. The Capped Call Transactions are expected generally to reduce the potential dilution to the Class A common stock upon any conversion of the Notes and/or to offset any cash payments the Company is required to make in excess of the principal amount of the converted Notes, as the case may be, upon any conversion of the Notes. The Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, approximately 12,348 shares of the Company's common stock. The cost of the Capped Call Transactions was \$42,366, which was included in additional paid-in capital, net of tax, in the consolidated balance sheets, with no remeasurement in subsequent periods as it meets the conditions for equity classification.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

The Company's indebtedness was as follows:

| | As of December 31, | | | | | |
|--|---------------------|---|---------------------------|---------------------|---|---------------------------|
| | 2025 | | | 2024 | | |
| | Principal Amount | Discounts and Deferred Financing Costs | Net Carrying Amount | Principal Amount | Discounts and Deferred Financing Costs | Net Carrying Amount |
| Convertible senior notes, non-current | \$ 345,000 | \$ (7,523) | \$ 337,477 | \$ 345,000 | \$ (9,780) | \$ 335,220 |
| Total debt | <u>\$ 345,000</u> | <u>\$ (7,523)</u> | <u>\$ 337,477</u> | <u>\$ 345,000</u> | <u>\$ (9,780)</u> | <u>\$ 335,220</u> |

The Company's interest expense related to the Notes was as follows:

| | For the year ended December 31, | |
|--|---------------------------------|-----------------|
| | 2025 | 2024 |
| Contractual interest expense | \$ 2,587 | \$ 1,761 |
| Amortization of issuance costs | 2,257 | 1,505 |
| Total interest expense, convertible senior notes | <u>\$ 4,844</u> | <u>\$ 3,266</u> |

Principal debt maturities under the Credit Agreement and Notes for the next five years and thereafter are as follows as of December 31, 2025:

| Year Ending December 31, | |
|------------------------------------|-------------------|
| 2026 | \$ — |
| 2027 | — |
| 2028 | — |
| 2029 | 345,000 |
| Total debt, net of financing costs | <u>\$ 345,000</u> |

11. STOCKHOLDERS' EQUITY

Common Stock

During 2025, the Company issued 1,252 shares of Class A common stock related to the exercise of options, net of 18 shares returned to the Company in lieu of payment of the exercise price and taxes due on these exercises. The Company issued 1,061 shares of Class A common stock in 2025 in connection with the vesting of RSUs, net of 651 shares returned to the Company in lieu of payment of taxes due on the vesting of these awards. The Company issued 35 shares of Class A common stock in 2025 in connection with the vesting of PSUs, net of 36 shares returned to the Company in lieu of payment of taxes due on the vesting of these awards. The Company issued 34 shares of Class A common stock in 2025 in connection with the vesting of RSAs. The Company also issued 203 shares in connection with the ESPP Plan in 2025. During 2025, stockholders exchanged 4,325 shares of Class B common stock for an equivalent number of shares of Class A common stock.

During 2024, the Company issued 2,455 shares of Class A common stock related to the exercise of options, net of 267 shares returned to the Company in lieu of payment of the exercise price and taxes due on these exercises. The Company issued 846 shares of Class A common stock in 2024 in connection with the vesting of RSUs, net of 499 shares returned to the Company in lieu of payment of taxes due on the vesting of these awards. The Company issued 84 shares of Class A common stock in 2024 in connection with the vesting of RSAs, net of 7 shares returned to the Company in lieu of payment of taxes due on the vesting of these awards. The Company also issued 116 shares in connection with the ESPP Plan in

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2024. During 2024, stockholders exchanged 6,180 shares of Class B common stock for an equivalent number of shares of Class A common stock.

During 2023, the Company issued 2,468 shares of Class A common stock related to the exercise of options, net of 314 shares returned to the Company in lieu of payment of the exercise price and taxes due on these exercises. The Company issued 511 shares of Class A common stock in 2023 in connection with the vesting of RSUs, net of 285 shares returned to the Company in lieu of payment of taxes due on the vesting of these awards. The Company issued 198 shares of Class A common stock in 2023 in connection with the vesting of RSAs, net of 7 shares returned to the Company in lieu of payment of taxes due on the vesting of these awards. The Company also issued 152 shares in connection with the ESPP Plan in 2023. During 2023, stockholders exchanged 7,646 shares of Class B common stock for an equivalent number of shares of Class A common stock.

Repurchase Program

On October 30, 2025, the Board authorized a stock repurchase program for up to \$150,000 of the Company's outstanding shares of Class A common stock (the "Repurchase Program"). Under the Repurchase Program, share repurchases may be made from time to time in one or more open market or privately negotiated transactions, and/or through other legally permissible means in accordance with applicable rules and regulations promulgated under the Exchange Act. The timing and amount of any shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. Any repurchased shares will be available for use in connection with the Company's stock plans and for other corporate purposes. The Repurchase Program has no termination date and may be modified, suspended or discontinued at any time.

During the year ended December 31, 2025, the Company repurchased 504 shares in the aggregate amount of \$10,094. No shares were reissued, sold, or terminated during the years ended December 31, 2025, 2024 or 2023.

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12. EARNINGS PER SHARE

The tables below illustrate the calculation of basic and diluted net income (loss) per common share for the Class A common stock and Class B common stock for the periods reflected below.

| | For the year ended December 31, | | | | | |
|---|---------------------------------|-----------------|--------------------|--------------------|-------------------|-------------------|
| | 2025 | | 2024 | | 2023 | |
| | Class A | Class B | Class A | Class B | Class A | Class B |
| Basic net income (loss) per share: | | | | | | |
| Numerator | | | | | | |
| Allocation of net income (loss) ⁽¹⁾ | \$ 3,400 | \$ 3,811 | \$ (21,974) | \$ (30,755) | \$ (4,721) | \$ (8,372) |
| Denominator | | | | | | |
| Total shares used in per share computation | 74,934 | 83,997 | 64,724 | 90,586 | 54,753 | 97,106 |
| Basic net income (loss) per share: | <u>\$ 0.05</u> | <u>\$ 0.05</u> | <u>\$ (0.34)</u> | <u>\$ (0.34)</u> | <u>\$ (0.09)</u> | <u>\$ (0.09)</u> |
| Diluted net income (loss) per share: | | | | | | |
| Numerator | | | | | | |
| Allocation of net income (loss) ⁽¹⁾ | \$ 3,480 | \$ 3,731 | \$ (21,974) | \$ (30,755) | \$ (4,721) | \$ (8,372) |
| Total net income (loss) used in per diluted computation | <u>\$ 3,480</u> | <u>\$ 3,731</u> | <u>\$ (21,974)</u> | <u>\$ (30,755)</u> | <u>\$ (4,721)</u> | <u>\$ (8,372)</u> |
| Denominator | | | | | | |
| Number shares used in basic per share computation | 74,934 | 83,997 | 64,724 | 90,586 | 54,753 | 97,106 |
| Dilutive effect of common stock equivalents | 3,491 | — | — | — | — | — |
| Total shares used in per share computation | <u>78,425</u> | <u>83,997</u> | <u>64,724</u> | <u>90,586</u> | <u>54,753</u> | <u>97,106</u> |
| Dilutive net income (loss) per share: | <u>\$ 0.04</u> | <u>\$ 0.04</u> | <u>\$ (0.34)</u> | <u>\$ (0.34)</u> | <u>\$ (0.09)</u> | <u>\$ (0.09)</u> |

⁽¹⁾ Allocation of net income (loss) is based on the percentage of shares outstanding.

The following weighted-average outstanding shares of common stock equivalents by award type were excluded from the computation of diluted net loss per share attributable to Class A common stock stockholders, as the impact of including them would have been anti-dilutive.

| | For the year ended December 31, | | |
|---|---------------------------------|-------|-------|
| | 2025 | 2024 | 2023 |
| Stock Options ⁽¹⁾ | — | 4,398 | 6,892 |
| Out-of-the Money Stock Options | 29 | 136 | 482 |
| RSAs | — | 63 | 168 |
| RSUs | — | 4,559 | 3,910 |
| ESPP | — | 31 | 42 |
| Convertible Senior Notes ⁽²⁾ | 9,498 | 6,480 | — |

⁽¹⁾ Total excludes out-of-the money stock options.

⁽²⁾ The Notes were issued on April 26, 2024. Proration of shares assumed to be converted from the Notes during the prior year period resulted in anti-dilutive impact to EPS.

13. EMPLOYEE BENEFIT AND DEFERRED COMPENSATION PLANS

The Company maintains a 401(k) plan that covers eligible employees. The Company matches up to 6% of eligible compensation during the period in which an eligible participant contributes to the plan. Matching 401(k) contributions were \$14,713, \$12,641, and \$11,285 for the years ended December 31, 2025, 2024, and 2023, respectively.

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Stock-Based Award Plans

The 2020 Incentive Award Plan (the “2020 Plan”) provides the ability to grant cash and equity-based incentive awards to eligible employees, directors and service providers in order to attract, retain, and motivate those that make important contributions to the Company. The 2020 Plan provides for the award of stock options, RSAs, RSUs, PSUs, and other cash compensation. The ESPP provides eligible employees with rights during each six-month ESPP offering period to purchase shares of the Company’s Class A common stock at the ESPP discount through payroll deductions. Amounts withheld or received from participants are included in accrued salaries and benefits in the consolidated balance sheets until such shares are purchased. Amounts withheld from participants for the offering periods ending May 31, 2026 and 2025 aggregated \$573 and \$496 as of December 31, 2025 and 2024, respectively.

2020 Plan

Upon commencement of the 2020 Plan, an aggregate of 16,500 shares of the Company’s Class A common stock were available for issuance. The number of shares available for issuance are increased annually on January 1 of each calendar year beginning in 2021 and ending in and including 2030, equal to the lesser of (i) 4% of the shares of Class A common stock and Class B common stock outstanding on the final day of the immediately preceding calendar year and (ii) a smaller number of shares as determined by the Board. No more than 3,000 shares of Class A common stock may be issued under the 2020 Plan upon the exercise of incentive stock options. Shares available under the 2020 Plan may consist of authorized but unissued shares, shares purchased on the open market, or treasury shares. If an award under the 2020 Plan expires, lapses, or is terminated, exchanged for cash, surrendered, repurchased, or canceled without having been fully exercised or forfeited, any unused shares subject to the award will again be available for new grants under the 2020 Plan. Awards granted under the 2020 Plan in substitution for any options or other stock or stock-based awards granted by an entity before the entity’s merger or consolidation with or acquisition by the Company of the entity’s property or stock will not reduce the shares available for grant under the 2020 Plan but will count against the maximum number of shares that may be issued upon the exercise of incentive stock options.

As of December 31, 2025, 18,720 shares of the Company’s Class A common stock were available for issuance under the 2020 Plan. No incentive stock options that would be subject to the 3,000 Class A common stock share limit were issued or outstanding under the 2020 Plan at December 31, 2025.

Awards issued under the 2020 Plan vest based on service criteria established by the Board. The Company has elected to account for forfeitures as they occur rather than estimate forfeitures at date of grant.

Options under 2020 Plan

The following table summarizes activity for options outstanding under the 2020 Plan:

| 2020 Plan Option Activity | Units | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|--|--------------|--|--|--|
| Outstanding at January 1, 2025 | 2,970 | \$ 6.93 | 4.4 | \$ 137,857 |
| Exercised | (1,270) | 6.41 | | |
| 2020 Plan options outstanding at December 31, 2025 | <u>1,700</u> | \$ 7.32 | 4.3 | \$ 22,526 |
| 2020 Plan options exercisable at December 31, 2025 | <u>1,700</u> | \$ 7.32 | 4.3 | \$ 22,526 |

Vertex, Inc. and Subsidiaries
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The details of options outstanding, vested and exercisable under the 2020 Plan as of December 31, 2025 are as follows:

| Exercise Prices | Options Outstanding | | Options Vested and Exercisable | |
|------------------|---------------------|-------------------------------|--------------------------------|-------------------------------|
| | Units | Weighted Average Life (Years) | Units | Weighted Average Life (Years) |
| \$0.15 to \$0.71 | 310 | * | 310 | * |
| \$2.50 | 8 | 0.1 | 8 | 0.1 |
| \$3.17 | 58 | 2.1 | 58 | 2.1 |
| \$3.73 | 481 | 3.8 | 481 | 3.8 |
| \$4.70 | 466 | 4.1 | 466 | 4.1 |
| \$18.47 | 190 | 5.9 | 190 | 5.9 |
| \$18.96 | 60 | 5.6 | 60 | 5.6 |
| \$19.00 | 43 | 5.7 | 43 | 5.7 |
| \$32.16 | 84 | 5.2 | 84 | 5.2 |
| | <u>1,700</u> | | <u>1,700</u> | |

* These options have indefinite contractual lives.

The Board intends all options granted to be exercisable at a price per share not less than the per share fair market value of the Company's Class A common stock underlying the options on the date of grant. Compensation expense to participants under the 2020 Plan is measured based on the grant date fair value of the awards and recognized in the consolidated statements of comprehensive income (loss) over the period during which the participant is required to perform the requisite services. The vesting period is generally one to four years. No options were issued during 2025, 2024 or 2023. At December 31, 2025, the expense was fully recognized on the options.

Restricted Stock Units

The following table summarizes RSU activity for the year ended December 31, 2025:

| | Units | Weighted Average Grant Date Fair Value Per Share |
|----------------------------------|--------------|--|
| Outstanding at January 1, 2025 | 4,534 | \$ 19.96 |
| Granted | 2,762 | 29.96 |
| Vested | (1,712) | 19.21 |
| Forfeited | (172) | 27.01 |
| Outstanding at December 31, 2025 | <u>5,412</u> | <u>\$ 25.05</u> |

Stock-based compensation cost for RSUs is measured based on the fair value of the Company's underlying common stock on the date of grant. Compensation cost will be recognized on a straight-line basis in the consolidated statements of comprehensive income (loss) over the period during which the participant is required to perform services in exchange for the award, which is generally one to four years. At December 31, 2025, \$85,505 of unrecognized compensation expense for RSUs is expected to be recognized over a weighted average period of approximately 2.9 years.

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Notes to Consolidated Financial Statements (continued)
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Performance Stock Units

In connection with the ecosio acquisition, current and newly hired employees of ecosio have or may receive RSUs that vest upon continuing service and performance conditions (“Performance Stock Units” or “PSUs”). These performance conditions are based upon ecosio’s monthly software revenues meeting specified annual targets over a three-year period. The annual targets are based on a range of performance targets in which grantees may earn a prorated portion of the base number of awards granted up to 100%. For further information on the ecosio acquisition, refer to Note 3, “Acquisitions.”

The stock-compensation expense associated with the awards will be accounted for as compensation expense over the vesting periods based on the Company’s assessment of the probability of achieving the targets. If the required conditions are not met, no compensation expense is recognized and any previously recognized compensation expense is reversed. As of December 31, 2025, the first-year target was achieved, and the corresponding PSUs became fully vested. Additionally, the Company determined that it was probable that the performance targets for the annual measurement periods would be achieved at varying levels across the second and third-year measurement periods.

The following table summarizes PSU activity for the year ended December 31, 2025:

| | Units | Average Grant Date Fair Value Per Share |
|----------------------------------|------------|---|
| Outstanding at January 1, 2025 | 192 | \$ 53.46 |
| Granted | 30 | 34.56 |
| Vested | (71) | 50.86 |
| Forfeited | (10) | 51.17 |
| Outstanding at December 31, 2025 | <u>141</u> | <u>\$ 50.86</u> |

At December 31, 2025, a maximum of \$5,941 of unrecognized compensation cost for PSUs, pending achievement of targets, may be recognized over a weighted average period of approximately 1.9 years.

Restricted Stock Awards

The following table summarizes RSA activity for the year ended December 31, 2025:

| | Units | Weighted Average Grant Date Fair Value Per Share |
|----------------------------------|-----------|---|
| Outstanding at January 1, 2025 | 34 | \$ 35.06 |
| Granted | 37 | 37.55 |
| Vested | (34) | 35.06 |
| Outstanding at December 31, 2025 | <u>37</u> | <u>\$ 37.55</u> |

Stock-based compensation cost for RSAs is measured based on the fair value of the Company’s underlying common stock on the date of grant. Compensation cost will be recognized on a straight-line basis in the consolidated statements of comprehensive income (loss) over the period during which the participants are required to perform services in exchange for the award, which is one year. At December 31, 2025, \$617 of unrecognized compensation expense for RSAs is expected to be recognized over a weighted average period of approximately 0.5 years.

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Notes to Consolidated Financial Statements (continued)
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Employee Stock Purchase Plan

The ESPP permits participants to purchase Class A common stock primarily through payroll deductions of up to a specified percentage of their eligible compensation. The maximum number of shares that may be purchased by a participant during any offering period is determined by the plan administrator in advance of each offering period.

A total of 1,000 shares of Class A common stock were initially reserved for issuance under the ESPP. The number of shares available for issuance under the ESPP increases annually on January 1 of each calendar year beginning in 2021 and ending in and including 2030, by an amount equal to the lesser of (i) 1% of the shares of Class A common stock and Class B common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by the Board, provided that no more than 16,000 shares of Class A common stock may be issued. The ESPP is administered by a committee of the Board. As of December 31, 2025, there were 6,132 shares available for issuance under the ESPP.

On the first trading day of each offering period, each participant will automatically be granted an option to purchase shares of Class A common stock. The option will expire at the end of the applicable offering period and will be exercised at that time to the extent of the payroll deductions accumulated or contributions made during such offering period. The purchase price of the shares, in the absence of a contrary designation, is 85% of the lower of the fair value of the Class A common stock on the first or last day of the ESPP offering period. Participants may voluntarily end their participation in the plan at any time during a specified period prior to the end of the applicable offering period and will be paid their accrued payroll deductions and related contributions, if applicable, that have not yet been used to purchase shares of Class A common stock. If a participant withdraws from the plan during an offering period, the participant cannot rejoin until the next offering period. Participation ends automatically upon a participant's termination of employment.

As of December 31, 2025 and 2024, there was approximately \$582 and \$423, respectively, of unrecognized ESPP stock-based compensation cost that is expected to be recognized on a straight-line basis over the remaining term of the offering periods ending on May 31, 2026 and 2025, respectively.

The fair value of ESPP purchase rights for the offering periods is comprised of the value of the 15% ESPP discount and the value associated with the call or put over the respective ESPP offering period. The value of the call or put was estimated using the Black-Scholes model with the following assumptions:

| | Offering Period Ending | | | | |
|-----------------------------------|------------------------|------------|-----------|------------|-----------|
| | 5/31/2026 | 11/30/2025 | 5/31/2025 | 11/30/2024 | 5/31/2024 |
| Fair market value of common stock | \$ 19.22 | \$ 39.86 | \$ 54.64 | \$ 33.26 | \$ 27.82 |
| Volatility | 34.5 % | 33.5 % | 24.4 % | 41.7 % | 36.6 % |
| Expected term (years) | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Expected dividend yield | - | - | - | - | - |
| Risk-free interest rate | 3.8 % | 4.3 % | 4.4 % | 5.4 % | 5.3 % |

Volatility is representative of expected stock price volatility over the offering period. The Company's volatility is applied to current and future offering periods. The expected term represents the term of the ESPP offering period, which is six months. The Company does not expect to pay dividends. The risk-free interest rate was based on the rate for a U.S. Treasury zero-coupon issue with a term that closely approximates the expected term of the award at the date nearest to the offering term.

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Notes to Consolidated Financial Statements (continued)
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Stock-Based Compensation

The Company recognized total stock-based compensation expense related to incentive awards, net of forfeitures, as follows:

| | For the year ended December 31, | | |
|--|---------------------------------|------------------|------------------|
| | 2025 | 2024 | 2023 |
| Stock-based compensation expense: | | | |
| Stock options | \$ 595 | \$ 6,768 | \$ 6,349 |
| RSUs | 49,406 | 37,770 | 24,257 |
| RSAs | 1,315 | 1,617 | 2,496 |
| PSUs | 5,077 | 285 | — |
| ESPP | 1,370 | 985 | 817 |
| Total stock-based compensation expense | <u>\$ 57,763</u> | <u>\$ 47,425</u> | <u>\$ 33,919</u> |

The Company recognized stock-based compensation expense in the consolidated statements of comprehensive income (loss) as follows:

| | For the year ended December 31, | | |
|--|---------------------------------|------------------|------------------|
| | 2025 | 2024 | 2023 |
| Cost of revenues, software subscriptions | \$ 5,829 | \$ 4,349 | \$ 2,834 |
| Cost of revenues, services | 5,062 | 2,768 | 1,846 |
| Research and development | 12,442 | 9,548 | 5,994 |
| Selling and marketing | 15,616 | 13,204 | 8,380 |
| General and administrative | 18,814 | 17,556 | 14,865 |
| Total stock-based compensation expense | <u>\$ 57,763</u> | <u>\$ 47,425</u> | <u>\$ 33,919</u> |

The total recognized tax benefit related to the stock-based compensation expense for the years ended December 31, 2025, 2024, and 2023 was \$23,382, \$33,739, and \$16,541, respectively. The tax benefit from stock options exercised during the years ended December 31, 2025, 2024, and 2023 was \$8,858, \$25,306, and \$13,079, respectively.

14. COMMITMENTS AND CONTINGENCIES

In January 2022, the Company filed a complaint against a competitor alleging claims of unfair competition, intentional interference with contractual relations, and trade secret misappropriation. The outcome of the case is subject to a number of uncertainties; therefore, the Company has not recognized any potential impact to the consolidated financial statements related to the outcome of the case. During the year ended December 31, 2025, the Company recognized \$10,283, for legal expenses associated with the case within the other operating expense, net line of the consolidated statements of income (loss). No such legal expenses were recorded during the years ended December 31, 2024 or 2023.

The Company may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is not aware of any such legal proceedings or claims that management believes will have a material adverse effect on its business, financial condition, or operating results.

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Notes to Consolidated Financial Statements (continued)
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Purchase Obligations

In the ordinary course of business, the Company enters into non-cancellable agreements with third-party providers, primarily for IT contractor services, subscriptions, and the use of cloud services. Future minimum payments as of December 31, 2025 are summarized in the table below:

| | |
|-------|------------------|
| 2026 | \$ 62,254 |
| 2027 | 22,813 |
| 2028 | 7,526 |
| 2029 | 2,312 |
| Total | <u>\$ 94,905</u> |

15. SEGMENT DISCLOSURES

The Company operates its business as one operating segment. Operating segments are defined as components of an enterprise in which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and assess performance. The Company’s CODM, the Chief Executive Officer, reviews financial information regularly at the consolidated level. Net income (loss) and adjusted earnings before interest, taxes, depreciation, and amortization (“Adjusted EBITDA”), a non-GAAP measure, are both used as metrics to evaluate performance of the business in deciding whether to reinvest profits into software development, acquisitions or into other areas of the Company. The Company believes that Adjusted EBITDA is a useful supplemental measure to evaluate overall operating performance as it measures business performance by focusing on cash related results and it is an important metric to lenders under the Company’s Credit Agreement. The most directly comparable GAAP measure to Adjusted EBITDA is net income (loss).

The CODM monitors consolidated forecasted versus actual net income (loss) and Adjusted EBITDA results for the purpose of determining the general health of the Company and assessing the performance of the Company as compared to management’s expectations.

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The following significant expense categories and measures of segment income (loss) are regularly reported to the CODM for the Company's single segment:

| | <u>For the year ended December 31,</u> | | |
|--|--|--------------------|--------------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| Total Revenues | \$ 748,444 | \$ 666,776 | \$ 572,387 |
| Less: | | | |
| Cost of revenues – software subscriptions | 187,816 | 175,580 | 162,920 |
| Cost of revenues – services | 79,027 | 65,071 | 60,888 |
| Research & development | 83,715 | 66,666 | 58,212 |
| Selling & marketing | 196,488 | 170,574 | 140,237 |
| General & administrative | 178,685 | 152,835 | 145,936 |
| Depreciation & amortization | 24,812 | 20,953 | 15,202 |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 | — |
| Other segment items ⁽¹⁾ | 12,570 | (175) | 6,502 |
| Interest expense (income), net | (5,248) | (4,137) | 4,164 |
| Income tax expense (benefit) | 368 | 54,638 | (8,581) |
| Net income (loss) (GAAP) | <u>\$ 7,211</u> | <u>\$ (52,729)</u> | <u>\$ (13,093)</u> |
| Adjustments: | | | |
| Interest expense (income), net | (5,248) | (4,137) | 4,164 |
| Income tax expense | 368 | 54,638 | (8,581) |
| Depreciation and amortization – property and equipment | 24,812 | 20,953 | 15,202 |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | 69,842 | 59,302 | 54,048 |
| Amortization of acquired intangible assets – selling and marketing expense | 2,277 | 2,478 | 2,641 |
| Amortization of cloud computing implementation costs – general and administrative expense | 3,738 | 4,007 | 2,570 |
| Stock-based compensation expense | 57,763 | 47,425 | 33,919 |
| Severance expense | 6,823 | 3,048 | 3,576 |
| Acquisition contingent consideration | 200 | (2,575) | 1,549 |
| Change in fair value of acquisition contingent earn-outs | (17,000) | 17,500 | — |
| Transaction costs ⁽²⁾ | 10,754 | 2,032 | 4,853 |
| Adjusted EBITDA (Non-GAAP) | <u>\$ 161,540</u> | <u>\$ 151,942</u> | <u>\$ 100,848</u> |

⁽¹⁾ Other segment items include professional fees, contracted labor, transaction costs, acquisition related earn-out adjustments and foreign currency exchange gains (losses).

⁽²⁾ The year ended December 31, 2025 includes legal expenses associated with pending litigation related to claims the Company has made against a competitor. For further information, refer to Note 14, "Commitments and Contingencies" to the consolidated financial statements.

Additionally, the Company considers stock-based compensation expense a significant expense category. For further information, refer to Note 13, "Employee Benefit and Deferred Compensation Plans."

As the Company operates solely within one segment, total assets, property and equipment, net, and capitalized software, net are reported at the consolidated level on the consolidated balance sheets. The Company's assets include both current and long-lived assets, and corporate assets. As of December 31, 2025 and 2024, \$1,347 and \$687, respectively, of the Company's property and equipment assets were held outside of the U.S.

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Depreciation and amortization, property and equipment additions, and capital software additions are reported at the consolidated level on the Consolidated Statements of Cash Flows.

The Company disaggregates revenue from contracts with customers based on geographical regions, timing of revenue recognition, and the major product and service types as described in Note 1, “Summary of Significant Accounting Policies.” For the years ended December 31, 2025, 2024, and 2023, approximately 10%, 8%, and 8%, respectively, of the Company’s revenues were generated outside of the U.S. None of the Company’s customers represented more than 10% of total revenues for the years ended December 31, 2025, 2024 or 2023. For further information including disaggregation of revenues, refer to Note 2, “Revenue Recognition.”

16. INCOME TAXES

The components of net income (loss) before income taxes, by geography, are as follows:

| | For the year ended December 31, | | |
|---------------------------------------|--|-----------------|--------------------|
| | 2025 | 2024 | 2023 |
| U.S. | \$ 30,742 | \$ 9,174 | \$ (3,126) |
| Foreign | (23,163) | (7,265) | (18,548) |
| Net income (loss) before income taxes | <u>\$ 7,579</u> | <u>\$ 1,909</u> | <u>\$ (21,674)</u> |

Income tax expense (benefit) consists of the following:

| | For the year ended December 31, | | |
|------------------------------|--|------------------|-------------------|
| | 2025 | 2024 | 2023 |
| Current income taxes: | | | |
| Federal | \$ 3,416 | \$ 1,448 | \$ (279) |
| State and local | 2,712 | 855 | 1,568 |
| Foreign | 1,828 | 2,204 | 1,347 |
| Total current | <u>7,956</u> | <u>4,507</u> | <u>2,636</u> |
| Deferred income taxes: | | | |
| Federal | (1,740) | 42,346 | (9,224) |
| State and local | (359) | 9,111 | (1,552) |
| Foreign | (5,489) | (1,326) | (441) |
| Total deferred | <u>(7,588)</u> | <u>50,131</u> | <u>(11,217)</u> |
| Income tax expense (benefit) | <u>\$ 368</u> | <u>\$ 54,638</u> | <u>\$ (8,581)</u> |

During the year ended December 31, 2025, the Company recognized a \$70 income tax expense in accumulated other comprehensive loss relating to unrealized gains (losses) from foreign currency translation adjustments and revaluations, and available-for-sale securities, and in stockholder’s equity related to increases in contributed capital. During the year ended December 31, 2024, the Company recognized a \$37 income tax benefit in accumulated other comprehensive loss relating to unrealized gains (losses) from foreign currency translation adjustments and revaluations, and available-for-sale securities, and in stockholder’s equity related to increases in contributed capital.

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The reconciliation of the effective tax rate to tax at the statutory rates for the years ended December 31 is as follows:

| | 2025 | | 2024 | | 2023 | |
|--|----------|----------|-----------|-----------|------------|----------|
| | Total | Tax Rate | Total | Tax Rate | Total | Tax Rate |
| Pretax net income (loss) | \$ 7,579 | | \$ 1,909 | | \$(21,674) | |
| Taxes: | | | | | | |
| U.S. federal income tax at statutory rate | \$ 1,591 | 21.0 % | \$ 401 | 21.0 % | \$ (4,552) | 21.0 % |
| State and local income taxes, net of federal income tax effect ⁽¹⁾ | 1,783 | 23.5 % | 9,835 | 515.2 % | (314) | 1.4 % |
| Foreign tax effects | | | | | | |
| Austria | | | | | | |
| Statutory tax rate difference between Austria and United States | (481) | (6.3)% | (87) | (4.6)% | — | 0.0 % |
| Nontaxable or nondeductible items | | | | | | |
| Stock-based compensation expense | 862 | 11.4 % | 50 | 2.6 % | — | 0.0 % |
| Other adjustments | 44 | 0.6 % | (5) | (0.3)% | — | 0.0 % |
| Brazil | | | | | | |
| Statutory tax rate difference between Brazil and United States | 327 | 4.3 % | 45 | 2.4 % | (367) | 1.7 % |
| Changes in valuation allowances | 1,120 | 14.8 % | (1,412) | (74.0)% | 1,448 | (6.7)% |
| Nontaxable or nondeductible items | | | | | | |
| Purchase commitment and contingent consideration liabilities | (1,708) | (22.5)% | 1,747 | 91.5 % | — | 0.0 % |
| Other adjustments | 50 | 0.7 % | 119 | 6.2 % | (127) | 0.6 % |
| Germany | | | | | | |
| Trade tax | 85 | 1.1 % | 64 | 3.4 % | 101 | (0.5)% |
| Nontaxable or nondeductible items | | | | | | |
| Stock-based compensation expense | 96 | 1.3 % | 22 | 1.2 % | 15 | (0.1)% |
| Other adjustments | (13) | (0.2)% | 41 | 2.1 % | 85 | (0.4)% |
| Ireland | | | | | | |
| Statutory tax rate difference between Ireland and United States | 79 | 1.0 % | 572 | 30.0 % | 1,602 | (7.4)% |
| Changes in valuation allowances | 97 | 1.3 % | 929 | 48.7 % | 1,938 | (8.9)% |
| Other adjustments | 71 | 0.9 % | 59 | 3.1 % | 87 | (0.4)% |
| Netherlands | | | | | | |
| Statutory tax rate difference between Netherlands and United States | 197 | 2.6 % | 95 | 5.0 % | 31 | (0.1)% |
| Other adjustments | 20 | 0.3 % | 50 | 2.6 % | 25 | (0.1)% |
| United Kingdom | | | | | | |
| Statutory tax rate difference between United Kingdom and United States | 81 | 1.1 % | 120 | 6.3 % | (3) | 0.0 % |
| Other adjustments | 50 | 0.7 % | (12) | (0.6)% | (59) | 0.3 % |
| Other foreign jurisdictions | 41 | 0.5 % | 11 | 0.6 % | 5 | 0.0 % |
| Effect of cross-border tax laws | (131) | (1.7)% | (17) | (0.9)% | (232) | 1.1 % |
| Tax credits | | | | | | |
| Research and development tax credits | (4,508) | (59.5)% | (4,920) | (257.7)% | (5,818) | 26.8 % |
| Changes in valuation allowances | 11,089 | 146.3 % | 56,631 | 2,966.5 % | — | 0.0 % |
| Nontaxable or nondeductible items | | | | | | |
| Nondeductible compensation | 5,350 | 70.6 % | 3,269 | 171.2 % | 2,312 | (10.7)% |
| Purchase commitment and contingent consideration liabilities | (3,570) | (47.1)% | 3,675 | 192.5 % | — | 0.0 % |
| Stock-based compensation expense | (12,881) | (170.0)% | (17,213) | (901.7)% | (5,228) | 24.1 % |
| Transaction costs | 8 | 0.1 % | 357 | 18.7 % | — | 0.0 % |
| Other | 369 | 4.9 % | 272 | 14.2 % | 183 | (0.8)% |
| Changes in unrecognized tax benefits | 172 | 2.3 % | 98 | 5.1 % | 451 | (2.1)% |
| Other adjustments | 78 | 0.9 % | (158) | (8.2)% | (164) | 0.8 % |
| Taxes and effective tax rate | \$ 368 | 4.9 % | \$ 54,638 | 2,862.1 % | \$ (8,581) | 39.6 % |

⁽¹⁾ For December 31, 2025, taxes in California, Texas, and Illinois made up the majority (greater than 50%) of the state income taxes. For December 31, 2024, taxes in California, Illinois, New Jersey, New York, Pennsylvania, and Minnesota made up the majority of the state income taxes. For December 31, 2023, taxes in Georgia, Texas, Illinois, and Indiana made up the majority of the state income taxes.

The effective tax rate in 2025 decreased to 4.9% from 2,862.1% in 2024. The decrease in income tax expense in 2025 was primarily driven by reduced increases in valuation allowances on net deferred tax assets established for U.S. and certain foreign jurisdictions, favorable adjustments for nondeductible purchase commitment and contingent consideration liabilities, partially offset by increased pre-tax income and reduced favorable impact of tax benefits on exercises vesting of stock awards, net of increased limitations on deductions of certain employees' compensation under Internal Revenue Code ("IRC") Section 162(m).

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The effective tax rate in 2024 increased to 2,862.1% from 39.6% in 2023. The increase in income tax expense in 2024 was primarily driven by changes in valuation allowances on net deferred tax assets established for U.S. and certain foreign jurisdictions, nondeductible purchase commitment and contingent consideration liabilities, and pre-tax income, partially offset by the favorable impact of tax benefits on exercises and vesting of stock awards, net of limitations on deductions of certain employees' compensation under IRC Section 162(m).

Significant components of the Company's net deferred tax assets (liabilities) are as follows:

| | As of December 31, | |
|--|---------------------------|-------------|
| | 2025 | 2024 |
| Deferred tax assets: | | |
| Deferred revenue | \$ 1,342 | \$ 1,512 |
| State operating loss carry forwards | 3,318 | 3,674 |
| Federal and foreign loss carry forwards | 13,495 | 8,651 |
| Accrued expenses | 2,923 | 1,754 |
| Accrued compensation | 7,875 | 9,223 |
| Stock-based compensation | 12,565 | 13,826 |
| Operating lease liabilities | 3,310 | 4,185 |
| Tax credits | 4,519 | 5,160 |
| Original issue discount | 7,353 | 9,396 |
| Depreciation and amortization | 34,182 | 14,964 |
| Other | 2,927 | 687 |
| Deferred tax assets | 93,809 | 73,032 |
| Valuation allowance | (87,635) | (72,285) |
| Total deferred tax assets | 6,174 | 747 |
| Deferred tax liabilities: | | |
| Prepaid expenses | (1,214) | (671) |
| Right of use asset | (2,443) | (3,006) |
| Deferred commissions | (8,096) | (6,969) |
| Total deferred tax liabilities | (11,753) | (10,646) |
| Net deferred tax assets (liabilities) | \$ (5,579) | \$ (9,899) |
| Classification in the consolidated balance sheets: | | |
| Deferred income tax assets | \$ 85 | \$ 19 |
| Deferred income tax liabilities | (5,664) | (9,918) |
| Net deferred tax assets (liabilities) | \$ (5,579) | \$ (9,899) |

At December 31, 2025, the Company has U.S. state operating loss carry forwards of \$53,157. The state operating losses will expire at varying dates beginning in 2035 through 2045 or will carry forward indefinitely. A full valuation allowance is recorded for the U.S. state operating losses at December 31, 2025.

At December 31, 2025, the Company has available foreign operating losses of approximately \$71,426 and nontrading losses of \$69, which generally carry forward indefinitely. A valuation allowance for a portion of the foreign operating and non-operating losses is recorded at December 31, 2025. A portion of the foreign operating losses could be forfeited if certain changes in the business occur in future years, which the Company continues to monitor.

At December 31, 2025, the Company has available U.S. federal R&D tax credit carryovers of \$4,519. The credits will expire from 2044 through 2045. A full valuation allowance is recorded for the U.S. federal R&D tax credit carryovers at December 31, 2025.

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

At December 31, 2025 and 2024, the Company has a valuation allowance of \$(87,635) and \$(72,285), respectively, primarily against certain U.S. and foreign deferred tax assets. The increase in the total valuation allowance of \$(15,350) during December 31, 2025, primarily related to increasing the valuation allowance on the U.S. and certain foreign deferred tax assets, partially offset by decreases in valuation allowances in certain foreign jurisdictions as well as changes in foreign exchange rates.

During the fourth quarter of 2024, the Company established a valuation allowance against its U.S. deferred tax assets as it was determined to be more likely than not that these assets will not be realized. This determination was made based on weighing all negative evidence, specifically cumulative losses recognized in our U.S. entity over the past three years. These cumulative losses were mainly due to significant windfall tax benefits realized from the exercises of stock options during the fourth quarter of 2024, driven by an increase in the Company's Class A common stock price during that period. Despite positive evidence of projected future business profitability in the Company's U.S. entity, management determined that this did not outweigh the negative evidence to allow the Company to conclude it was more likely than not the deferred tax assets would be realized and therefore the Company recorded a full valuation allowance against these U.S. deferred tax assets as of December 31, 2024, which has been maintained through December 31, 2025.

The changes in the valuation allowance were as follows:

| | For the year ended December 31, | | |
|---|---------------------------------|--------------------|-------------------|
| | 2025 | 2024 | 2023 |
| Valuation allowance, at beginning of year | \$ (72,285) | \$ (5,941) | \$ (2,285) |
| Increase in valuation allowance recorded through earnings | (15,891) | (68,377) | (3,656) |
| Decrease in valuation allowance recorded through earnings | 541 | 2,033 | — |
| Valuation allowance, at end of year | <u>\$ (87,635)</u> | <u>\$ (72,285)</u> | <u>\$ (5,941)</u> |

The Company does not assert any earnings to be permanently reinvested with respect to the undistributed earnings of its foreign subsidiaries.

Significant judgement is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. The total amount of gross unrecognized tax benefits was \$2,016, \$1,427, and \$666 as of December 31, 2025, 2024, and 2023, respectively, which would affect the Company's effective tax rate if recognized. The Company accrued interest and penalties of \$97 in the year ended December 31, 2025, as other operating expenses in the consolidated statements of comprehensive income (loss). Accrued interest and penalties were not material for the years ended December 31, 2024, or 2023. The reconciliation of the beginning and ending amounts of gross unrecognized tax benefits are presented in the table below:

| | For the year ended December 31, | | |
|---|---------------------------------|-----------------|---------------|
| | 2025 | 2024 | 2023 |
| Balance at beginning of period | \$ 1,427 | \$ 666 | \$ — |
| Increases related to current year tax positions | 387 | 362 | 215 |
| Increases related to prior year tax positions | 177 | 402 | 451 |
| Impact of foreign exchange fluctuation | 26 | — | — |
| Lapse of statute | (1) | (3) | — |
| Balance at end of period | <u>\$ 2,016</u> | <u>\$ 1,427</u> | <u>\$ 666</u> |

Vertex, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(Amounts in thousands, except per share data)

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which the Company operates. Under applicable U.S. federal statutes, tax years ended December 31, 2022 through December 31, 2025 remain subject to examination. Under applicable statutes, state and foreign corporate tax returns filed for the Company and its respective foreign subsidiaries for years ended December 31, 2020 through December 31, 2025 remain subject to examination by the respective authorities.

Amounts paid for income taxes, net of refunds received are presented in the table below:

| | For the year ended December 31, | | |
|---|--|-----------------|-----------------|
| | 2025 | 2024 | 2023 |
| Federal | \$ (345) | \$ 4,319 | \$ 3,045 |
| State | | | |
| Illinois | — | 418 | 329 |
| Texas | 251 | 186 | 162 |
| Other | 31 | 2,062 | 1,213 |
| Foreign | | | |
| Brazil | 453 | 527 | 545 |
| India | 127 | 24 | 6 |
| Netherlands | 497 | 810 | 38 |
| United Kingdom | 750 | 250 | 243 |
| Other | 152 | (3) | 71 |
| Total paid for income taxes, net of refunds | <u>\$ 1,916</u> | <u>\$ 8,593</u> | <u>\$ 5,652</u> |

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Executive Officers

Christopher Young, President, Chief Executive Officer & Director

John Schwab, Chief Financial Officer

Bryan Rowland, Senior Vice President & General Counsel

Board of Directors

Eric Andersen
Managing partner at PeakEquity and Milestone Partners

Bradley M. Gayton
Former Senior Vice President, General Counsel of The Coca-Cola Company

Amanda Westphal Radcliffe
Director of Vertex, Inc.

Mark J. Mendola
Former managing partner at PricewaterhouseCoopers LLP

Philip Saunders
Chief Executive Officer of Relativity

J. Richard Stamm
Former partner at PricewaterhouseCoopers LLP

Stephanie Westphal Thompson
Director of Vertex, Inc.

David DeStefano
Chairperson of Vertex, Inc.

Christopher Young
President, Chief Executive Officer & Director

Stockholder and Corporate Information

Annual Meeting of Stockholders

Wednesday, June 10, 2026
9:00 a.m., Eastern Time
Via live webcast

Class A Common Stock Listing

Nasdaq: VERX

Corporate Headquarters

2301 Renaissance Blvd,
King of Prussia, PA 19406

Independent Registered Public Accounting Firm

Crowe LLP

Available Information

We make available free of charge under the Investor Relations section of our website, ir.vertexinc.com, filings we make with the Securities and Exchange Commission (SEC) and other information about the company. Filings we make with the SEC may also be accessed free of charge on the SEC's publicly available website, www.sec.gov.

A copy of Vertex, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, including financial statements and schedules thereto but not including exhibits, as filed with the Securities and Exchange Commission, will be sent to any stockholder of record on April 15, 2026 without charge upon written request addressed to:

Vertex, Inc.
Attention: Corporate Secretary
2301 Renaissance Blvd,
King of Prussia, PA 19406

A reasonable fee will be charged for copies of exhibits.