ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations as of, and for, the periods presented and should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this report and with our audited consolidated financial statements and notes thereto in our 2022 Form 10-K. This discussion and analysis contains forward-looking statements, including statements regarding industry outlook, our expectations for the future of our business, and our liquidity and capital resources as well as other non-historical statements. These statements are based on current expectations and are subject to numerous risks and uncertainties, including but not limited to the risks and uncertainties described in Part II, Item 1A, "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by these forward-looking statements. Any reference to a "Note" in this discussion relates to the accompanying notes to the unaudited condensed consolidated financial statements included elsewhere in this report unless otherwise indicated.

Overview

Ceridian is a global human capital management ("HCM") software company. We categorize our solutions into three categories: Cloud recurring, other recurring (formerly referred to as Bureau), and professional services and other. Cloud recurring revenue is generated from HCM solutions that are primarily delivered via two offerings: Dayforce, our flagship Cloud HCM platform, and Powerpay, a Cloud human resources ("HR") and payroll solution for the Canadian small business market. Revenue from our Cloud recurring and other recurring solutions includes investment income generated from holding customer funds before funds are remitted to taxing authorities, also referred to as float revenue or float.

Dayforce provides HR, payroll, benefits, workforce management, and talent management functionality. Our platform is used by organizations of all sizes, from small businesses to global organizations, regardless of industry, to optimize management of the entire employee lifecycle, including attracting, engaging, paying, deploying, and developing their people. Dayforce was built as a single application from the ground up that combines a modern, consumer-grade user experience with proprietary application architecture, including a single employee record and a rules engine spanning all areas of HCM. Dayforce provides continuous real-time calculations across all modules to enable, for example, payroll administrators access to data through the entire pay period, and managers access to real-time data to optimize work schedules. Our platform is designed to drive efficiencies for our customers and their employees by improving HCM decision-making processes, streamlining workflows, revealing strategic organizational insights, and simplifying legislative compliance. The platform is designed to ease administrative work for both employees and managers, creating opportunities for companies to increase employee engagement. We sell Dayforce through our direct sales force on a subscription per-employee, per-month ("PEPM") basis. Our subscriptions are typically structured with an initial fixed term of between three and five years, with evergreen renewal thereafter.

Dayforce Wallet is a digital payment solution for customers' employees that gives employees instant access to their net earnings. With Dayforce Wallet, employees' funds are loaded onto a paycard, which when used, generates interchange fee revenue. As of September 30, 2023, we had more than 1,760 customers signed onto Dayforce Wallet, over 1,060 customers live on the product, and an average registration rate above 55% of all eligible employees.

Our Business Model

Our business model focuses on supporting the rapid growth of Dayforce and maximizing the lifetime value of our Dayforce customer relationships. Due to our subscription model, where we recognize subscription revenues ratably over the term of the subscription period, and our high customer retention rates, we have a high level of visibility into our future revenues. The profitability of a customer depends, in large part, on how long they have been a customer. We estimate that it takes approximately two years before we are able to recover our implementation, customer acquisition, and other direct costs on a new Dayforce customer contract.

Over the lifetime of the customer relationship, we have the opportunity to realize additional PEPM revenue, both as the customer grows or rolls out the Dayforce solution to additional employees, and also by selling additional functionality to existing customers that do not currently utilize our full suite of capabilities. We also incur costs to manage the account, to retain customers, and to sell additional functionality. These costs, however, are significantly less than the costs initially incurred to acquire and to take customers live.

Global Events

Beginning in 2022, the U.S. Federal Reserve and the Bank of Canada enacted several increases to the federal funds rate and the overnight rate target, respectively. The rate increases have favorably impacted our float revenue, and conversely, have increased the cost of our term debt borrowing. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the U.S. Federal Reserve, the Bank of Canada, or other government agencies, related to concerns over inflation risk.

Recent Events

In the third quarter of 2023, our Board of Directors approved plans to transition our Company's name and branding to Dayforce, expected to begin in the first quarter of 2024. Over the course of 2024, we expect that Ceridian HCM Holding Inc. and its global operating entities will evolve to reflect the Dayforce brand.

The Office of Comptroller of the Currency (the "OCC") authorized the Ceridian National Trust Bank to open on January 3, 2023. Effective on this day, the Ceridian National Trust Bank commenced banking operations, acting as trustee for our U.S. payroll trust. Historically, certain aspects of our U.S. client money movement activity were subject to regulation at both the federal and individual state levels with resulting inherent complexity across multiple jurisdictions. With the establishment of the Ceridian National Trust Bank, regulatory oversight will now be under the OCC, a single federal government agency. Our payroll trust structure will continue to benefit our customers by providing bankruptcy-remoteness protection for client funds pending remittance to employees of our clients, tax authorities, and other payees.

How We Assess Our Performance

In assessing our performance, we consider a variety of annual and quarterly performance indicators in addition to revenue and net income. Set forth below are descriptions of our quarterly key performance measures. Additional information on our annual performance measures is described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "How We Assess Our Performance" contained in our 2022 Form 10-K. Please refer to the "Non-GAAP Financial Measures" and "Results of Operations" sections below for further description and definitions of certain performance indicators which are considered non-GAAP financial measures.

Live Dayforce Customers

We use the number of live Dayforce customers as an indicator of future revenue and the overall performance of the business and to assess the performance of our implementation services.

Dayforce Recurring Revenue Per Customer

We use Dayforce recurring revenue per customer, a non-GAAP financial measure, as an indicator of the average size of our Dayforce customer, which we believe is also useful to management and investors. We calculate and monitor Dayforce recurring revenue per customer on a quarterly basis. Our Dayforce recurring revenue per customer may fluctuate as a result of a number of factors, including the number of live Dayforce customers and the number of customers purchasing the comprehensive suite of Dayforce functionality.

Constant Currency Revenue

We present percentage change in revenue on a constant currency basis to assess how our underlying business performed, excluding the effect of foreign currency rate fluctuations. We believe this non-GAAP financial measure is useful to management and investors. The average U.S. dollar to Canadian dollar foreign exchange rate was $1.34, with a daily range of $1.31 to $1.37, for the three months ended September 30, 2023, compared to $1.30, with a daily range of $1.28 to $1.38 for the three months ended September 30, 2022. As of September 30, 2023, the U.S. dollar to Canadian dollar foreign exchange rate was $1.36.

Adjusted Operating Profit, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Cloud Recurring Gross Margin

We believe that Adjusted operating profit, Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Cloud recurring gross margin, non-GAAP financial measures, are useful to management and investors as supplemental measures to evaluate our overall operating performance. Adjusted EBITDA is a component of our management incentive plan and Adjusted Cloud recurring gross margin is a component of certain performance based equity awards for our named executive officers, and these metrics are used by management to assess performance and to compare our operating performance to our competitors. Management believes that Adjusted operating profit, Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Cloud recurring gross margin are helpful in highlighting management performance trends because these metrics exclude the results of decisions that are outside the normal course of our business operations.

Results of Operations

Three Months Ended September 30, 2023 Compared With Three Months Ended September 30, 2022

	Three Months Ended September 30,		Increase/(Decrease)		Percentage of Revenue	
	2023	2022	Amount	%	2023	2022
	(Dollars in millions)					
Revenue:						
Recurring						
Cloud	$ 303.6	$ 230.4	$ 73.2	31.8%	80.4%	73.0%
Other	21.8	33.4	(11.6)	(34.7)%	5.8%	10.6%
Total recurring	325.4	263.8	61.6	23.4%	86.2%	83.6%
Professional services and other	52.1	51.8	0.3	0.6%	13.8%	16.4%
Total revenue	377.5	315.6	61.9	19.6%	100.0%	100.0%
Cost of revenue:						
Recurring						
Cloud	69.9	64.3	5.6	8.7%	18.5%	20.4%
Other	10.6	12.8	(2.2)	(17.2)%	2.8%	4.1%
Total recurring	80.5	77.1	3.4	4.4%	21.3%	24.4%
Professional services and other	66.1	61.0	5.1	8.4%	17.5%	19.3%
Product development and management	53.3	44.8	8.5	19.0%	14.1%	14.2%
Depreciation and amortization	17.1	13.7	3.4	24.8%	4.5%	4.3%
Total cost of revenue	217.0	196.6	20.4	10.4%	57.5%	62.3%
Gross profit	160.5	119.0	41.5	34.9%	42.5%	37.7%
Selling and marketing	61.8	62.6	(0.8)	(1.3)%	16.4%	19.8%
General and administrative	72.2	60.1	12.1	20.1%	19.1%	19.0%
Operating profit (loss)	26.5	(3.7)	30.2	816.2%	7.0%	(1.2)%
Interest expense, net	8.9	7.4	1.5	20.3%	2.4%	2.3%
Other expense, net	5.1	5.9	(0.8)	(13.6)%	1.4%	1.9%
Income (loss) before income taxes	12.5	(17.0)	29.5	173.5%	3.3%	(5.4)%
Income tax expense	16.3	4.0	12.3	307.5%	4.3%	1.3%
Net loss	$ (3.8)	$ (21.0)	$ 17.2	81.9%	(1.0)%	(6.7)%
Net profit margin (a)	(1.0)%	(6.7)%				
Adjusted EBITDA (b)	$ 107.2	$ 63.5	$ 43.7	68.8%	28.4%	20.1%

(a) Net profit margin is determined by calculating the percentage that net loss is of total revenue.
(b) Please refer to the “Non-GAAP Financial Measures” section for a discussion and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin, non-GAAP financial measures.

Revenue. The following table sets forth certain information regarding our revenues for the periods presented:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percentage change in revenue 2023 vs. 2022	Impact of changes in foreign currency (a)	Percentage change in revenue on a constant currency basis (a) 2023 vs. 2022
	(Dollars in millions)				
Revenue:					
Recurring revenue:					
Dayforce recurring, excluding float	$ 245.6	$ 191.0	28.6%	(0.3)%	28.9%
Dayforce float	34.0	16.8	102.4%	(1.3)%	103.7%
Total Dayforce recurring	279.6	207.8	34.6%	(0.3)%	34.9%
Powerpay recurring, excluding float	19.6	19.3	1.6%	(3.1)%	4.7%
Powerpay float	4.4	3.3	33.3%	(4.3)%	37.6%
Total Powerpay recurring	24.0	22.6	6.2%	(3.3)%	9.5%
Total Cloud recurring	303.6	230.4	31.8%	(0.6)%	32.4%
Other recurring (b)	21.8	33.4	(34.7)%	(1.6)%	(33.1)%
Total recurring revenue	325.4	263.8	23.4%	(0.7)%	24.1%
Professional services and other (c)	52.1	51.8	0.6%	(0.4)%	1.0%
Total revenue	$ 377.5	$ 315.6	19.6%	(0.7)%	20.3%

(a) We have calculated percentage change in revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period. Please refer to the "Non-GAAP Financial Measures" section for discussion of percentage change in revenue on a constant currency basis.

(b) Other recurring contains solutions previously described as Bureau. Float attributable to this solution was $0.4 million and $1.2 million for the three months ended September 30, 2023, and 2022, respectively.

(c) For the three months ended September 30, 2023, Professional services and other consisted of $48.2 million, $3.8 million, and $0.1 million associated with Dayforce, Other, and Powerpay, respectively. For the three months ended September 30, 2022, Professional services and other consisted of $46.4 million, $5.3 million, and $0.1 million associated with Dayforce, Other, and Powerpay, respectively.

Total revenue increased $61.9 million, or 19.6%, to $377.5 million for the three months ended September 30, 2023, compared to $315.6 million for the three months ended September 30, 2022. This increase was primarily attributable to the increase in live Dayforce customers, the increase in Dayforce recurring revenue per customer, and the increase in float revenue. The number of live Dayforce customers increased 8.5% to 6,346 at September 30, 2023 from 5,848 at September 30, 2022. Additionally, for the trailing twelve months ended September 30, 2023, Dayforce recurring revenue per customer grew to $138,838 compared to $118,348 for the comparable period in 2022.[1] Please refer to the "Non-GAAP Financial Measures" section for discussion of Dayforce recurring revenue per customer.

The increase in Dayforce recurring revenue per customer is driven by the growing average size of our customers, as we have been expanding within the enterprise segment, as well as more customers purchasing the comprehensive suite of Dayforce functionality. Additionally, tax migration from legacy infrastructure to the same platform as Dayforce contributed approximately 450 basis points of growth for the three months ended September 30, 2023 to Dayforce recurring revenue, excluding float. The increase in float revenue is driven by an increase in average yield of 160 basis points compared to the three months ended September 30, 2022, in addition to a 3.9% increase in average float balance for our customer funds for the three months ended September 30, 2023, which increased to $4.02 billion, compared to $3.87 billion for the three months ended September 30, 2022.

Cost of revenue. Total cost of revenue for the three months ended September 30, 2023, was $217.0 million, an increase of $20.4 million, or 10.4%, compared to the three months ended September 30, 2022.

[1] Excluding float revenue, the impact of lower employment levels due to the COVID-19 pandemic, Ascender and ADAM HCM revenue and on a constant currency basis. Please refer to the "Non-GAAP Financial Measures" section for discussion of revenue on a constant currency basis.

Recurring cost of revenue for the three months ended September 30, 2023, increased $3.4 million, or 4.4%, compared with the three months ended September 30, 2022, primarily due to additional labor-related costs incurred to support the growing Dayforce customer base globally, partially offset by a reduction in severance and restructuring costs related to the integration of acquisitions and re-balancing of resources across our global footprint during the three months ended September 30, 2022.

Professional services and other cost of revenue increased $5.1 million, or 8.4%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily due to increased labor-related costs incurred to take new customers live.

Product development and management expense increased $8.5 million, or 19.0%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase primarily reflects additional personnel costs. For the three months ended September 30, 2023, and 2022, our investment in software development was $51.4 million and $42.0 million, respectively, consisting of $28.9 million and $24.3 million, of research and development expense, and $22.5 million and $17.7 million in capitalized software development costs, respectively.

Depreciation and amortization expense associated with cost of revenue increased $3.4 million, or 24.8%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, as we continue to capitalize Dayforce related and other development costs and subsequently amortize these costs.

Gross profit. The following table presents total gross margin and solution gross margins for the periods presented:

	Three Months Ended September 30,	
	2023	2022
Total gross margin	42.5%	37.7%
Gross margin by solution:		
Cloud recurring	77.0%	72.1%
Other recurring	51.4%	61.7%
Professional services and other	(26.9)%	(17.8)%

Total gross margin is defined as total gross profit as a percentage of total revenue, which is inclusive of product development and management costs, as well as depreciation and amortization associated with cost of revenue. Gross margin for each solution in the table above is defined as total revenue less cost of revenue for the applicable solution as a percentage of total revenue for that related solution, which is exclusive of any product development and management or depreciation and amortization cost allocations.

Total gross margin for the three months ended September 30, 2023 increased 480 basis points compared to total gross margin for the three months ended September 30, 2022 and gross profit increased by $41.5 million, or 34.9% for the three months ended September 30, 2023 compared to the three months ended September 30, 2022, primarily due to the $61.9 million or 19.6% increase in revenue, including float revenue, which outpaced the increase in cost of revenue.

Cloud recurring gross margin was 77.0% for the three months ended September 30, 2023, compared to 72.1% for the three months ended September 30, 2022. Excluding the impact of share-based compensation and related employer taxes and certain other items, Adjusted Cloud recurring gross margin increased by 350 basis points to 78.3%. The increase in Cloud recurring gross margin was primarily due to the increase in float revenue and reduction in severance expense associated with the re-balancing of resources across our global footprint in 2022. The increase is also due to the growth of the proportion of Dayforce customers live for more than two years, which increased from 80% as of September 30, 2022 to 82% as of September 30, 2023. Please refer to the "Non-GAAP Financial Measures" section for a discussion and reconciliation of Adjusted Cloud recurring gross margin and additional information on the excluded items.

Professional services and other gross margin was (26.9)% for the three months ended September 30, 2023, compared to (17.8)% for the three months ended September 30, 2022, reflecting additional costs to take new customers live.

Selling, general, and administrative expense. Selling, general, and administrative expense increased $11.3 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. This reflects an increase of $12.1 million in general and administrative expense and a reduction of $0.8 million in sales and marketing expense. The increase in general and administrative expense is driven by an increase in amortization expense, an increase the remeasurement of the DataFuzion contingent consideration, and other employee-related costs, partially offset by a reduction in share-based compensation. In the third quarter of 2023, our Board of Directors approved plans to transition our Company's name and branding to Dayforce. Given the significance of this transition, we assessed the impact on the carrying amount of $167.2 million related to our Ceridian® trade name intangible asset. It was determined that the Ceridian trade name is now deemed to have a finite life of two years and began being amortized in the third quarter of 2023, leading to this increase in amortization expense for the three months ended September 30, 2023. The reduction in sales and marketing expense is primarily driven by a reduction in commission expense due to increasing the expected period of benefit of our deferred sales commissions from five years to ten years, partially offset by an increase in investment in our sales force in order to support our growth initiatives.

Operating profit (loss). Operating profit for the three months ended September 30, 2023, was $26.5 million, compared to operating loss of $3.7 million for the three months ended September 30, 2022. The $30.2 million change was primarily due to the increase in revenue, including float revenue, gross margin expansion, and the reduction in commission expense. Partially offsetting these factors was increased cost of revenue and an increase in amortization expense. Adjusted operating profit increased by $39.3 million to $89.4 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Please refer to the "Non-GAAP Financial Measures" section for a discussion and reconciliation of Adjusted operating profit and additional information on the excluded items.

Interest expense, net. Interest expense, net was $8.9 million and $7.4 million for the three months ended September 30, 2023, and 2022, respectively. The increase was primarily due to an increase in interest expense on our Term Debt due to the increase in applicable reference rates, partially offset by an increase in interest income.

Other expense, net. For the three months ended September 30, 2023, and 2022, we incurred other expense, net of $5.1 million and $5.9 million, respectively. Other expense, net was primarily comprised of foreign currency translation (gains) losses and net periodic pension expense.

Income tax expense. For the three months ended September 30, 2023, and 2022, we recorded income tax expense of $16.3 million and $4.0 million, respectively. The increase in income tax expense was primarily due to a $6.2 million increase attributable to current operations, a $3.3 million increase attributable to Global Intangible Low Taxed Income, and a $2.9 million increase attributable to international tax rate differences.

Net loss. We realized net loss of $3.8 million for the three months ended September 30, 2023, compared to $21.0 million for the three months ended September 30, 2022. Net loss decreased due to the increase in revenue, including float revenue, gross margin expansion, and the reduction in commission expense, partially offset by increases in amortization expense and income tax expense. As noted above, we began amortizing our Ceridian trade name intangible asset in the third quarter of 2023, leading to this increase in amortization expense. For the three months ended September 30, 2023 and 2022, net profit margin was (1.0)% and (6.7)%, respectively.

Adjusted EBITDA. Adjusted EBITDA increased by $43.7 million to $107.2 million, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, and Adjusted EBITDA margin was 28.4% for the three months ended September 30, 2023, compared to 20.1% for the three months ended September 30, 2022. Please refer to the "Non-GAAP Financial Measures" section for a discussion and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin and additional information on the excluded items.

Nine Months Ended September 30, 2023 Compared With Nine Months Ended September 30, 2022

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Increase/(Decrease) Amount	Increase/(Decrease) %	Percentage of Revenue 2023	Percentage of Revenue 2022
	(Dollars in millions)					
Revenue:						
Recurring						
Cloud	$ 891.2	$ 657.2	$ 234.0	35.6%	80.0%	72.2%
Other	67.0	105.6	(38.6)	(36.6)%	6.0%	11.6%
Total recurring	958.2	762.8	195.4	25.6%	86.0%	83.8%
Professional services and other	155.8	147.3	8.5	5.8%	14.0%	16.2%
Total revenue	1,114.0	910.1	203.9	22.4%	100.0%	100.0%
Cost of revenue:						
Recurring						
Cloud	204.8	189.1	15.7	8.3%	18.4%	20.8%
Other	34.6	45.3	(10.7)	(23.6)%	3.1%	5.0%
Total recurring	239.4	234.4	5.0	2.1%	21.5%	25.8%
Professional services and other	197.0	172.6	24.4	14.1%	17.7%	19.0%
Product development and management	153.5	125.0	28.5	22.8%	13.8%	13.7%
Depreciation and amortization	47.4	40.0	7.4	18.5%	4.3%	4.4%
Total cost of revenue	637.3	572.0	65.3	11.4%	57.2%	62.9%
Gross profit	476.7	338.1	138.6	41.0%	42.8%	37.1%
Selling and marketing	177.5	183.4	(5.9)	(3.2)%	15.9%	20.2%
General and administrative	204.9	183.8	21.1	11.5%	18.4%	20.2%
Operating profit (loss)	94.3	(29.1)	123.4	424.1%	8.5%	(3.2)%
Interest expense, net	27.2	19.9	7.3	36.7%	2.4%	2.2%
Other expense, net	6.6	11.4	(4.8)	(42.1)%	0.6%	1.3%
Income (loss) before income taxes	60.5	(60.4)	120.9	200.2%	5.4%	(6.6)%
Income tax expense	51.3	7.8	43.5	557.7%	4.6%	0.9%
Net income (loss)	$ 9.2	$ (68.2)	$ 77.4	113.5%	0.8%	(7.5)%
Net profit margin (a)	0.8%	(7.5)%	8.3%	111.0%		
Adjusted EBITDA (b)	$ 311.0	$ 182.7	$ 128.3	70.2%	27.9%	20.1%

(a) Net profit margin is determined by calculating the percentage that net income (loss) is of total revenue.
(b) Please refer to the "Non-GAAP Financial Measures" section for a discussion and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin, non-GAAP financial measures.

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percentage change in revenue 2023 vs. 2022	Impact of changes in foreign currency (a)	Percentage change in revenue on a constant currency basis (a) 2023 vs. 2022
	(Dollars in millions)				
Revenue:					
Recurring revenue:					
Dayforce recurring, excluding float	$ 706.5	$ 554.5	27.4%	(1.2)%	28.6%
Dayforce float	112.5	36.2	210.8%	(3.6)%	214.4%
Total Dayforce recurring	819.0	590.7	38.6%	(1.4)%	40.0%
Powerpay recurring, excluding float	58.8	58.3	0.9%	(5.1)%	6.0%
Powerpay float	13.4	8.2	63.4%	(8.6)%	72.0%
Total Powerpay recurring	72.2	66.5	8.6%	(5.5)%	14.1%
Total Cloud recurring	891.2	657.2	35.6%	(1.8)%	37.4%
Other recurring (b)	67.0	105.6	(36.6)%	(2.6)%	(34.0)%
Total recurring revenue	958.2	762.8	25.6%	(1.9)%	27.5%
Professional services and other (c)	155.8	147.3	5.8%	(1.8)%	7.6%
Total revenue	$ 1,114.0	$ 910.1	22.4%	(1.9)%	24.3%

(a) We have calculated percentage change in revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period. Please refer to the “Non-GAAP Financial Measures” section for discussion of percentage change in revenue on a constant currency basis.

(b) Other recurring contains solutions previously described as Bureau. Float attributable to this solution was $1.6 million and $3.0 million for the nine months ended September 30, 2023, and 2022, respectively.

(c) For the nine months ended September 30, 2023, Professional services and other consisted of $144.6 million, $11.1 million, and $0.1 million associated with Dayforce, Other, and Powerpay, respectively. For the nine months ended September 30, 2022, Professional services and other consisted of $134.2 million, $12.7 million, and $0.4 million associated with Dayforce, Other, and Powerpay, respectively.

Total revenue increased $203.9 million, or 22.4%, to $1,114.0 million for the nine months ended September 30, 2023, compared to $910.1 million for the nine months ended September 30, 2022. This increase was primarily attributable to the increase in live Dayforce customers, the increase in Dayforce recurring revenue per customer, and the increase in float revenue. The number of live Dayforce customers increased 8.5% to 6,346 at September 30, 2023 from 5,848 at September 30, 2022. Additionally, for the trailing twelve months ended September 30, 2023, Dayforce recurring revenue per customer grew to $138,838 compared to $118,348 for the comparable period in 2022.[1] Please refer to the “Non-GAAP Financial Measures” section for discussion of Dayforce recurring revenue per customer.

The increase in Dayforce recurring revenue per customer is driven by the growing average size of our customers, as we have been expanding within the enterprise segment, as well as more customers purchasing the comprehensive suite of Dayforce functionality. Additionally, the tax migration from legacy infrastructure to the same platform as Dayforce contributed approximately 510 basis points of growth for the nine months ended September 30, 2023 to Dayforce recurring revenue, excluding float. The increase in float revenue is driven by an increase in average yield of 220 basis points compared to the nine months ended September 30, 2022, in addition to a 4.8% increase in average float balance for our customer funds for the nine months ended September 30, 2023, which increased to $4.61 billion, compared to $4.40 billion for the nine months ended September 30, 2022.

Cost of revenue. Total cost of revenue for the nine months ended September 30, 2023, was $637.3 million, an increase of $65.3 million, or 11.4%, compared to the nine months ended September 30, 2022.

[1] Excluding float revenue, the impact of lower employment levels due to the COVID-19 pandemic, Ascender and ADAM HCM revenue and on a constant currency basis. Please refer to the “Non-GAAP Financial Measures” section for discussion of revenue on a constant currency basis.

Recurring cost of revenue for the nine months ended September 30, 2023, increased $5.0 million, or 2.1%, compared with the nine months ended September 30, 2022, primarily due to additional labor-related costs incurred to support the growing Dayforce customer base globally. The increase in recurring cost of revenue was partially offset by an $18.6 million reduction in severance and restructuring costs related to the integration of acquisitions and re-balancing of resources across our global footprint during the nine months ended September 30, 2022.

Professional services and other cost of revenue increased $24.4 million, or 14.1%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to increased labor-related costs incurred to take new customers live and increased share-based compensation expense.

Product development and management expense increased $28.5 million, or 22.8%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase primarily reflects additional personnel costs and share-based compensation expense. For the nine months ended September 30, 2023, and 2022, our investment in software development was $146.6 million and $118.2 million, respectively, consisting of $80.6 million and $67.7 million, of research and development expense, and $66.0 million and $50.5 million in capitalized software development costs, respectively.

Depreciation and amortization expense associated with cost of revenue increased $7.4 million, or 18.5%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, as we continue to capitalize Dayforce related and other development costs and subsequently amortize these costs.

Gross profit. The following table presents total gross margin and solution gross margins for the periods presented:

	Nine Months Ended September 30,	
	2023	2022
Total gross margin	42.8%	37.1%
Gross margin by solution:		
Cloud recurring	77.0%	71.2%
Other recurring	48.4%	57.1%
Professional services and other	(26.4)%	(17.2)%

Total gross margin is defined as total gross profit as a percentage of total revenue, which is inclusive of product development and management costs, as well as depreciation and amortization associated with cost of revenue. Gross margin for each solution in the table above is defined as total revenue less cost of revenue for the applicable solution as a percentage of total revenue for that related solution, which is exclusive of any product development and management or depreciation and amortization cost allocations.

Total gross margin for the nine months ended September 30, 2023 increased 570 basis points compared to total gross margin for the nine months ended September 30, 2022 and gross profit increased by $138.6 million, or 41.0% for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, primarily due to the $203.9 million or 22.4% increase in revenue, including float revenue, which outpaced the increase in cost of revenue.

Cloud recurring gross margin was 77.0% for the nine months ended September 30, 2023, compared to 71.2% for the nine months ended September 30, 2022. Excluding the impact of share-based compensation and related employer taxes and certain other items, Adjusted Cloud recurring gross margin increased by 290 basis points to 78.4%. The increase in Cloud recurring gross margin was primarily due to the increase in float revenue and reduction in severance expense associated with the re-balancing of resources across our global footprint in 2022. The increase is also due to the growth of the proportion of Dayforce customers live for more than two years, which increased from 80% as of September 30, 2022 to 82% as of September 30, 2023. Please refer to the “Non-GAAP Financial Measures” section for a discussion and reconciliation of Adjusted Cloud recurring gross margin and additional information on the excluded items.

Professional services and other gross margin was (26.4)% for the nine months ended September 30, 2023, compared to (17.2)% for the nine months ended September 30, 2022, reflecting additional costs to take new customers live.

Selling, general, and administrative expense. Selling, general, and administrative expense increased $15.2 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This reflects an increase of $21.1 million in general and administrative expense and a reduction of $5.9 million in sales and marketing expense. The increase in general and administrative expense is driven by an increase in amortization expense, an increase the remeasurement of the DataFuzion contingent consideration, and an increase in employee-related costs, partially offset by a reduction in share-based compensation expense primarily related to specific individual awards becoming fully vested in prior periods. In the third quarter of 2023, our Board of Directors approved plans to transition our Company's name and branding to Dayforce. Given the significance of this transition, we assessed the impact on the carrying amount of $167.2 million related to our Ceridian® trade name intangible asset. It was determined that the Ceridian trade name is now deemed to have a finite life of two years and began being amortized in the third quarter of 2023, leading to this increase in amortization expense for the nine months ended September 30, 2023. The reduction in sales and marketing expense is primarily driven by a reduction in commission expense due to increasing the expected period of benefit of our deferred sales commissions from five years to ten years, partially offset by an increase in investment in our sales force in order to support our growth initiatives.

Operating profit (loss). Operating profit for the nine months ended September 30, 2023, was $94.3 million, compared to operating loss of $29.1 million for the nine months ended September 30, 2022. The $123.4 million change was primarily due to the increase in revenue, including float revenue, gross margin expansion, reductions in severance and restructuring expenses, and the reduction in commission expense, partially offset by an increase in amortization expense. Adjusted operating profit increased by $116.4 million to $260.9 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Please refer to the "Non-GAAP Financial Measures" section for a discussion and reconciliation of Adjusted operating profit and additional information on the excluded items.

Interest expense, net. Interest expense, net was $27.2 million and $19.9 million for the nine months ended September 30, 2023, and 2022, respectively. The increase was primarily due to an increase in interest expense on our Term Debt due to the increase in applicable reference rates, partially offset by an increase in interest income.

Other expense, net. For the nine months ended September 30, 2023, and 2022, we incurred other expense, net of $6.6 million and $11.4 million, respectively. Other expense, net was primarily comprised of foreign currency translation (gains) losses and net periodic pension expense.

Income tax expense. For the nine months ended September 30, 2023, and 2022, we recorded income tax expense of $51.3 million and $7.8 million, respectively. The increase in income tax expense was primarily due to a $25.4 million increase attributable to current operations, a $5.8 million increase attributable to international tax rate differences, a $4.7 million increase attributable to share-based compensation, a $3.0 million increase in valuation allowance, and a $2.7 million increase attributable to state income taxes.

Net income (loss). We realized net income of $9.2 million for the nine months ended September 30, 2023, compared to net loss of $68.2 million for the nine months ended September 30, 2022. Net income increased due to the increase in revenue, including float revenue, gross margin expansion, and reductions in severance, restructuring and commission expenses, partially offset by increases in amortization expense and income tax expense. For the nine months ended September 30, 2023 and 2022, net profit margin was 0.8% and (7.5)%, respectively.

Adjusted EBITDA. Adjusted EBITDA increased by $128.3 million to $311.0 million, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, and Adjusted EBITDA margin was 27.9% for the nine months ended September 30, 2023, compared to 20.1% for the nine months ended September 30, 2022. Please refer to the "Non-GAAP Financial Measures" section for a discussion and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin and additional information on the excluded items.

Liquidity and Capital Resources

Our primary sources of liquidity are our existing cash and equivalents, cash provided by operating activities, availability under our Revolving Credit Facility, and proceeds from debt issuances and equity offerings. As of September 30, 2023, we had cash and equivalents of $510.3 million and our total debt was $1,228.5 million.

Our primary liquidity needs are related to funding of general business requirements, including the payment of interest and principal on our debt, capital expenditures, fulfilling our contractual commitments, product development, and funding Dayforce Wallet on demand pay requests on behalf of our customers. From time to time, we have made investments in businesses or acquisitions of companies, which are also liquidity needs.

We believe that our cash flow from operations, available cash and equivalents, and availability under our Revolving Credit Facility will be sufficient to meet our liquidity needs for the next twelve months and for the foreseeable future. Dayforce Wallet on demand pay requests are currently funded from our operating cash balances, until the amounts are reimbursed by our customers through their normal payroll funding cycles. We evaluate the creditworthiness of each customer utilizing the Dayforce Wallet feature. We anticipate that to the extent that we require additional liquidity, it will be funded through the issuance of equity, the incurrence of additional indebtedness, or a combination thereof. We cannot provide assurance that we will be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and to fund our capital requirements and Dayforce Wallet on demand pay requests are also dependent on our future financial performance, which is subject to general economic, financial, and other factors that are beyond our control. Accordingly, we cannot provide assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available from additional indebtedness or otherwise to meet our liquidity needs. If we decide to pursue one or more significant acquisitions, we may incur additional debt or raise additional equity to finance such acquisitions, which would result in additional expenses and/or dilution.

Our customer funds are held and invested with the primary objectives being to protect the principal balance and to ensure adequate liquidity to meet cash flow requirements. Accordingly, we maintain on average approximately 45% to 55% of customer funds in liquidity portfolios with maturities ranging from one to 120 days, consisting of high-quality bank deposits, money market mutual funds, commercial paper, or collateralized short-term investments; and we maintain on average approximately 45% to 55% of customer funds in fixed income portfolios with maturities ranging from 120 days to 10 years, consisting of U.S. Treasury and agency securities, Canada government and provincial securities, as well as highly rated asset-backed, mortgage-backed, municipal, corporate, and bank securities. To maintain sufficient liquidity to meet payment obligations, we also have financing arrangements and may pledge fixed income securities for short-term financing. The customer assets are held in segregated accounts intended for the specific purpose of satisfying customer funding obligations and therefore are not freely available for our general business use.

Statements of Cash Flows

Changes in cash flows due to purchases of customer fund marketable securities and proceeds from the sale or maturity of customer fund marketable securities, as well as the carrying value of customer fund accounts as of period end dates can vary significantly due to several factors, including the specific day of the week the period ends, which impacts the timing of funds collected from customers and payments made to satisfy customer obligations to employees, taxing authorities, and others. The customer funds are fully segregated from our operating cash accounts and are evaluated and tracked separately by management. The table below summarizes the activity within the condensed consolidated statements of cash flows:

	Nine Months Ended September 30,	
	2023	2022
	(Dollars in millions)	
Net cash provided by operating activities	$ 129.6	$ 90.8
Net cash used in investing activities	(14.9)	(295.0)
Net cash provided by financing activities	345.3	723.2
Effect of exchange rate changes on cash, restricted cash, and equivalents	5.1	(37.8)
Net increase in cash, restricted cash, and equivalents	465.1	481.2
Cash, restricted cash, and equivalents at beginning of period	3,151.2	2,643.3
Cash, restricted cash, and equivalents at end of period	3,616.3	3,124.5
Cash and equivalents	510.3	408.4
Restricted cash and equivalents	3,106.0	2,716.1
Total cash, restricted cash, and equivalents	$ 3,616.3	$ 3,124.5

Operating Activities

Net cash provided by operating activities was $129.6 million during the nine months ended September 30, 2023 compared to $90.8 million during the nine months ended September 30, 2022. For both periods, cash inflows from operating activities are primarily generated from the subscriptions of our solutions. Cash outflows from operating activities for both periods are primarily comprised of personnel-related expenditures that are integral to our business operations. The positive cash inflow in both periods is primarily due to our growing revenue, partially offset by our operating costs, mainly, investment in our sales force to support our growth initiatives and those product development and management costs which are not eligible for capitalization.

Investing Activities

During the nine months ended September 30, 2023, net cash used in investing activities was $14.9 million, consisting of purchases of customer funds marketable securities of $252.0 million and capital expenditures of $88.3 million, partially offset by proceeds from the sale and maturity of customer funds marketable securities of $326.4 million. Our capital expenditures included $72.9 million for software and technology and $15.4 million for property and equipment.

During the nine months ended September 30, 2022, net cash used in investing activities was $295.0 million, consisting of purchases of customer funds marketable securities of $534.3 million and capital expenditures of $64.9 million, partially offset by proceeds from the sale and maturity of customer funds marketable securities of $304.2 million. Our capital expenditures included $54.5 million for software and technology and $10.4 million for property and equipment.

Financing Activities

Net cash provided by financing activities was $345.3 million during the nine months ended September 30, 2023. This cash inflow is primarily attributable to an increase in net customer fund obligations of $311.0 million and proceeds from issuance of common stock under our share-based compensation plans of $40.3 million, partially offset by payments on our long-term debt obligations of $6.0 million.

Net cash provided by financing activities was $723.2 million during the nine months ended September 30, 2022. This cash inflow is primarily attributable to an increase in net customer fund obligations of $706.9 million and proceeds from issuance of common stock under our share-based compensation plans of $22.6 million, partially offset by payments on our long-term debt obligations of $6.3 million.

Backlog

Backlog is equivalent to our remaining performance obligations, which represents contracted revenue for recurring and fixed price professional services, primarily implementation services, that has not yet been recognized, including deferred revenue and unbilled amounts that will be recognized as revenue in future periods. As of September 30, 2023, our remaining performance obligations were approximately $1,181.1 million. Please refer to Note 10, "Revenue" for further discussion of our remaining performance obligations.

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have any "off-balance sheet arrangements" (as such term is defined in Item 303 of Regulation S-K).

Contractual Obligations

During the nine months ended September 30, 2023, there were no significant changes to our contractual obligations as described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Contractual Obligations" contained in our 2022 Form 10-K.

Critical Accounting Policies and Estimates

During the nine months ended September 30, 2023, there were no significant changes to our critical accounting policies and estimates as described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Critical Accounting Policies and Estimates" contained in our 2022 Form 10-K.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures in this document including:

Non-GAAP Financial Measure	GAAP Financial Measure
EBITDA	Net income (loss)
Adjusted EBITDA	Net income (loss)
Adjusted EBITDA margin	Net profit margin
Adjusted Cloud recurring gross margin	Cloud recurring gross margin
Adjusted operating profit	Operating profit (loss)
Adjusted operating profit margin	Operating profit (loss) margin
Adjusted net income	Net income (loss)
Adjusted net profit margin	Net profit margin
Adjusted diluted net income per share	Diluted net income (loss) per share
Percentage change in revenue, including total revenue and revenue by solution, on a constant currency basis	Percentage change in revenue, including total revenue and revenue by solution
Dayforce recurring revenue per customer	No directly comparable GAAP measure

We believe that these non-GAAP financial measures are useful to management and investors as supplemental measures to evaluate our overall operating performance including comparison across periods and with competitors. Our management team uses these non-GAAP financial measures to assess operating performance because these financial measures exclude the results of decisions that are outside the normal course of our business operations, and are used for internal budgeting and forecasting purposes both for short- and long-term operating plans. Additionally, Adjusted EBITDA is a component of our management incentive plan and Adjusted Cloud recurring gross margin is a component of certain performance based equity awards for our named executive officers. These non-GAAP financial measures are not required by, defined under, or presented in accordance with, GAAP, and should not be considered as alternatives to our results as reported under GAAP, have important limitations as analytical tools, and our use of these terms may not be comparable to similarly titled measures of other companies in our industry. Our presentation of non-GAAP financial measures should not be construed to imply that our future results will be unaffected by similar items to those eliminated in this presentation.

We define our non-GAAP financial measures as follows:

- EBITDA is defined as net income (loss) before interest, taxes, depreciation, and amortization, and Adjusted EBITDA is EBITDA, as adjusted to exclude share-based compensation expense and related employer taxes, and certain other items.
- Adjusted EBITDA margin is determined by calculating the percentage Adjusted EBITDA is of total revenue.
- Adjusted Cloud recurring gross margin is defined as Cloud recurring gross margin, as adjusted to exclude share-based compensation and related employer taxes, and certain other items, as a percentage of total Cloud recurring revenue.
- Adjusted operating profit is defined as operating profit (loss), as adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items.
- Adjusted operating profit margin is determined by calculating the percentage Adjusted operating profit is of total revenue.
- Adjusted net income is defined as net income (loss), as adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items, all of which are adjusted for the effect of income taxes.
- Adjusted net profit margin is determined by calculating the percentage Adjusted net income is of total revenue.
- Adjusted diluted net income per share is calculated by dividing adjusted net income by diluted weighted average shares outstanding. When adjusted net income is positive, diluted weighted average shares outstanding incorporate the effect of dilutive equity instruments.
- Percentage change in revenue, including total revenue and revenue by solution, on a constant currency basis is calculated by applying the average foreign exchange rate in effect during the comparable prior period.

- Dayforce recurring revenue per customer is an indicator of the average size of Dayforce recurring revenue customers. To calculate Dayforce recurring revenue per customer, we start with Dayforce recurring revenue on a constant currency basis by applying the same exchange rate to all comparable periods for the trailing twelve months and excludes float revenue, the impact of lower employment levels due to the COVID-19 pandemic, and Ascender and ADAM HCM revenue. This amount is divided by the number of live Dayforce customers at the end of the trailing twelve month period, excluding Ascender and ADAM HCM. We have not reconciled the Dayforce recurring revenue per customer because there is no directly comparable GAAP financial measure.

The following tables reconcile our reported results to our non-GAAP financial measures:

	Three Months Ended September 30, 2023						
	As reported	As reported margins (a)	Share-based compensation	Amortization	Other (b)	As adjusted (b)	As adjusted margins (a)
	(Dollars in millions, except per share data)						
Cost of Cloud recurring revenue	$ 69.9	77.0%	$ 3.9	$ —	$ —	$ 66.0	78.3%
Operating profit	$ 26.5	7.0%	$ 36.4	$ 20.5	$ 6.0	$ 89.4	23.7%
EBITDA	$ 60.1		$ 36.4	$ —	$ 10.7	$ 107.2	28.4%
Interest expense, net	8.9		—	—	—	8.9	
Income tax expense (c)	16.3		—	—	(5.5)	21.8	
Depreciation and amortization	38.7		—	20.5	—	18.2	
Net (loss) income	$ (3.8)	(1.0)%	$ 36.4	$ 20.5	$ 5.2	$ 58.3	15.4%
Net (loss) income per share - diluted (d)	$ (0.02)		$ 0.23	$ 0.13	$ 0.03	$ 0.37	

(a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net (loss) income are of total revenue. Please refer to the "Non-GAAP Financial Measures" section for the definitions of Adjusted Cloud recurring gross margin, Adjusted operating profit, Adjusted EBITDA margin, and Adjusted net profit margin.

(b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including $4.7 million of foreign exchange loss, $4.6 million related to the fair value adjustment for the DataFuzion contingent consideration, $1.2 million of restructuring consulting fees, and $0.2 million related to the net impact of the abandonment of certain leased facilities, along with a $5.5 million net adjustment for the effect of income taxes related to these items.

(c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.

(d) GAAP diluted net loss per share is calculated based upon 155,693,712 weighted-average shares of common stock, and Adjusted diluted net income per share is calculated based upon 158,773,022 weighted-average shares of common stock.

	Three Months Ended September 30, 2022						
	As reported	As reported margins (a)	Share-based compensation	Amortization	Other (b)	As adjusted (b)	As adjusted margins (a)
	(Dollars in millions, except per share data)						
Cost of Cloud recurring revenue	$ 64.3	72.1%	$ 3.9	$ —	$ 2.3	$ 58.1	74.8%
Operating (loss) profit	$ (3.7)	(1.2)%	$ 39.4	$ 7.5	$ 6.9	$ 50.1	15.9%
EBITDA	$ 12.3		$ 39.4	$ —	$ 11.8	$ 63.5	20.1%
Interest expense, net	7.4		—	—	—	7.4	
Income tax expense (c)	4.0		—	—	(6.6)	10.6	
Depreciation and amortization	21.9		—	7.5	—	14.4	
Net (loss) income	$ (21.0)	(6.7)%	$ 39.4	$ 7.5	$ 5.2	$ 31.1	9.9%
Net (loss) income per share - diluted (d)	$ (0.14)		$ 0.25	$ 0.05	$ 0.03	$ 0.20	

(a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net (loss) income are of total revenue. Please refer to the "Non-GAAP Financial Measures" section for the definitions of Adjusted Cloud recurring gross margin, Adjusted operating profit, Adjusted EBITDA margin, and Adjusted net profit margin.

(b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including $4.5 million of foreign exchange loss, $4.3 million of severance charges, $1.4 million of restructuring consulting fees, $1.2 million related to the impact of the fair value adjustment for the DataFuzion contingent consideration, and $0.4 million related to the difference between the historical five-year average pension expense and the current period actuarially determined pension expense associated with the planned termination of the frozen U.S. pension plan and related changes in investment strategy associated with protecting the now fully funded status, along with a $6.6 million net adjustment for the effect of income taxes related to these items.

(c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.

(d) GAAP diluted net loss per share is calculated based upon 153,184,846 weighted-average shares of common stock, and Adjusted diluted net income per share is calculated based upon 155,601,415 weighted-average shares of common stock.

	Nine Months Ended September 30, 2023						
	As reported	As reported margins (a)	Share-based compensation	Amortization	Other (b)	As adjusted (b)	As adjusted margins (a)
	(Dollars in millions)						
Cost of Cloud recurring revenue	$ 204.8	77.0%	$ 11.9	$ —	$ —	$ 192.9	78.4%
Operating profit	$ 94.3	8.5%	$ 118.3	$ 32.7	$ 15.6	$ 260.9	23.4%
EBITDA	$ 171.8		$ 118.3	$ —	$ 20.9	$ 311.0	27.9%
Interest expense, net	27.2		—	—	—	27.2	
Income tax expense (c)	51.3		—	—	(22.7)	74.0	
Depreciation and amortization	84.1		—	32.7	—	51.4	
Net income	$ 9.2	0.8%	$ 118.3	$ 32.7	$ (1.8)	$ 158.4	14.2%
Net income per share - diluted (d)	$ 0.06		$ 0.75	$ 0.21	$ (0.01)	$ 1.00	

(a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net income are of total revenue. Please refer to the "Non-GAAP Financial Measures" section for the definitions of Adjusted Cloud recurring gross margin, Adjusted operating profit, Adjusted EBITDA margin, and Adjusted net profit margin.

(b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including $11.8 million related to the impact of the fair value adjustment for the DataFuzion contingent consideration, $5.3 million of foreign exchange loss, $3.4 million of restructuring consulting fees, and $0.4 million related to the net impact of the abandonment of certain leased facilities, along with a $22.7 million net adjustment for the effect of income taxes related to these items.

(c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.

(d) GAAP and Adjusted diluted net income per share are calculated based upon 158,184,807 weighted-average shares of common stock.

	Nine Months Ended September 30, 2022						
	As reported	As reported margins (a)	Share-based compensation	Amortization	Other (b)	As adjusted (b)	As adjusted margins (a)
				(Dollars in millions)			
Cost of Cloud recurring revenue	$ 189.1	71.2%	$ 11.4	$ —	$ 16.9	$ 160.8	75.5%
Operating (loss) profit	$ (29.1)	(3.2)%	$ 113.8	$ 22.9	$ 36.9	$ 144.5	15.9%
EBITDA	$ 23.9		$ 113.8	$ —	$ 45.0	$ 182.7	20.1%
Interest expense, net	19.9		—	—	—	19.9	
Income tax expense (c)	7.8		—	—	(28.9)	36.7	
Depreciation and amortization	64.4		—	22.9	—	41.5	
Net (loss) income	$ (68.2)	(7.5)%	$ 113.8	$ 22.9	$ 16.1	$ 84.6	9.3%
Net (loss) income per share - diluted (d)	$ (0.45)		$ 0.73	$ 0.15	$ 0.10	$ 0.54	

(a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net (loss) income are of total revenue. Please refer to the "Non-GAAP Financial Measures" section for the definitions of Adjusted Cloud recurring gross margin, Adjusted operating profit, Adjusted EBITDA margin, and Adjusted net profit margin.

(b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including $28.6 million of severance charges, $7.3 million of foreign exchange loss, $5.1 million of restructuring consulting fees, $3.2 million related to the impact of the fair value adjustment for the DataFuzion contingent consideration, $1.1 million related to the difference between the historical five-year average pension expense and the current period actuarially determined pension expense associated with the planned termination of the frozen U.S. pension plan and related changes in investment strategy associated with protecting the now fully funded status, and $0.3 million related to the net impact of the abandonment of certain leased facilities, along with a $28.9 million net adjustment for the effect of income taxes related to these items.

(c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.

(d) GAAP diluted net loss per share is calculated based upon 152,691,008 weighted-average shares of common stock, and Adjusted diluted net income per share is calculated based upon 155,506,326 weighted-average shares of common stock.