EGAIN CORP

FORM 10-Q
(Quarterly Report)

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Address	1252 BORREGAS AVENUE SUNNYVALE, CA, 94089
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Industry	Software
Sector	Technology
Fiscal Year	06/30

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 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 No. 001-35314

eGain Corporation

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**77-0466366** **(I.R.S. Employer Identification No.)**
1252 Borregas Avenue, Sunnyvale, CA **(Address of principal executive offices)**	**94089** **(Zip Code)**

(408) 636-4500
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	EGAN	The Nasdaq Stock Market, LLC

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

Yes ☒ No ☐

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

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 27,350,693 as of May 9, 2025.

EGAIN CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2025

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EGAIN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value data)
(unaudited)

	March 31, 2025	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,737	$ 70,003
Restricted cash	8	8
Accounts receivable, less provision for credit losses of $7 and $59 as of March 31, 2025 and June 30, 2024, respectively	12,425	31,731
Costs capitalized to obtain revenue contracts, net	1,157	1,272
Prepaid expenses	2,493	2,915
Other current assets	939	1,195
Total current assets	85,759	107,124
Property and equipment, net	533	441
Operating lease right-of-use assets	3,705	3,811
Costs capitalized to obtain revenue contracts, net of current portion	1,422	1,779
Goodwill	13,186	13,186
Other assets, net	1,615	1,511
Total assets	$ 106,220	$ 127,852
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,971	$ 2,725
Accrued compensation	7,225	7,642
Accrued liabilities	3,985	5,078
Operating lease liabilities	1,186	1,179
Deferred revenue	35,373	45,989
Total current liabilities	49,740	62,613
Deferred revenue, net of current portion	1,384	3,280
Operating lease liabilities, net of current portion	2,611	2,592
Other long-term liabilities	899	871
Total liabilities	54,634	69,356
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, par value $0.001 per share - authorized: 60,000 shares; issued: 33,122 and 32,698 shares; outstanding: 27,598 and 29,160 shares as of March 31, 2025 and June 30, 2024, respectively	33	33
Additional paid-in capital	410,281	407,416
Treasury stock, at cost: 5,524 and 3,538 shares of common stock as of March 31, 2025 and June 30, 2024, respectively	(35,048)	(23,031)
Notes receivable from stockholders	(21)	(21)
Accumulated other comprehensive loss	(1,387)	(2,240)
Accumulated deficit	(322,272)	(323,661)
Total stockholders' equity	51,586	58,496
Total liabilities and stockholders' equity	$ 106,220	$ 127,852

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Revenue:				
SaaS	$ 19,563	$ 20,324	$ 60,230	$ 64,643
Professional services	1,446	2,026	4,967	5,698
Total revenue	21,009	22,350	65,197	70,341
Cost of revenue:				
Cost of SaaS	4,594	4,487	13,742	14,643
Cost of professional services	2,129	2,371	6,327	6,043
Total cost of revenue	6,723	6,858	20,069	20,686
Gross profit	14,286	15,492	45,128	49,655
Operating expenses:				
Research and development	7,514	6,655	22,643	19,947
Sales and marketing	4,704	5,448	14,715	16,901
General and administrative	2,041	2,451	6,584	8,028
Total operating expenses	14,259	14,554	43,942	44,876
Income from operations	27	938	1,186	4,779
Interest income, net	597	1,002	2,029	2,933
Other income (expense), net	(304)	74	(875)	(13)
Income before income tax provision	320	2,014	2,340	7,699
Income tax provision	(254)	(521)	(951)	(1,425)
Net income	$ 66	$ 1,493	$ 1,389	$ 6,274
Per share information:				
Earnings per share:				
Basic	$ 0.00	$ 0.05	$ 0.05	$ 0.20
Diluted	$ 0.00	$ 0.05	$ 0.05	$ 0.20
Weighted-average shares used in computation:				
Basic	28,065	30,976	28,439	31,212
Diluted	28,482	31,599	28,949	31,858

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Net income	$ 66	$ 1,493	$ 1,389	$ 6,274
Other comprehensive income, net of taxes:				
Foreign currency translation adjustments	555	(181)	853	(160)
Total comprehensive income	$ 621	$ 1,312	$ 2,242	$ 6,114

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three Months Ended March 31, 2025								
	Common Stock		Additional Paid-in Capital	Treasury Stock		Notes Receivable From Stockholders	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
Balances as of December 31, 2024	28,481	$ 33	$409,551	4,629	$(30,025)	$ (21)	$ (1,942)	$(322,338)	$ 55,258
Issuance of common stock upon exercise of stock options	12	—	31	—	—	—	—	—	31
Repurchase of common stock	(895)	—	—	895	(5,023)	—	—	—	(5,023)
Stock-based compensation	—	—	699	—	—	—	—	—	699
Foreign currency translation adjustments	—	—	—	—	—	—	555	—	555
Net income	—	—	—	—	—	—	—	66	66
Balances as of March 31, 2025	27,598	$ 33	$410,281	5,524	$(35,048)	$ (21)	$ (1,387)	$(322,272)	$ 51,586

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three Months Ended March 31, 2024								
	Common Stock		Additional Paid-in Capital	Treasury Stock		Notes Receivable From Stockholders	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
Balances as of December 31, 2023	31,202	$ 32	$404,320	1,260	$ (8,778)	$ (20)	$ (2,101)	$ (326,660)	$ 66,793
Interest on stockholder notes	—	—	—	—	—	(1)	—	—	(1)
Issuance of common stock upon exercise of stock options	61	1	160	—	—	—	—	—	161
Repurchase of common stock	(881)	—	—	881	(5,514)				(5,514)
Stock-based compensation	—	—	1,110	—	—	—	—	—	1,110
Foreign currency translation adjustments	—	—	—	—	—	—	(181)	—	(181)
Net income	—	—	—	—	—	—	—	1,493	1,493
Balances as of March 31, 2024	30,382	$ 33	$405,590	2,141	$ (14,292)	$ (21)	$ (2,282)	$ (325,167)	$ 63,861

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (cont.)
(in thousands)
(unaudited)

	Nine Months Ended March 31, 2025								
	Common Stock		Additional Paid-in Capital	Treasury Stock		Notes Receivable From Stockholders	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
Balances as of June 30, 2024	29,160	$ 33	$407,416	3,538	$(23,031)	$ (21)	$ (2,240)	$(323,661)	$ 58,496
Issuance of common stock upon exercise of stock options	161	—	488	—	—	—	—	—	488
Issuance of common stock upon vesting of restricted stock units	169	—	—	—	—	—	—	—	—
Issuance of common stock in connection with employee stock purchase plan	94	—	424	—	—	—	—	—	424
Repurchase of common stock	(1,986)	—	—	1,986	(12,017)	—	—	—	(12,017)
Stock-based compensation	—	—	1,953	—	—	—	—	—	1,953
Foreign currency translation adjustments	—	—	—	—	—	—	853	—	853
Net income	—	—	—	—	—	—	—	1,389	1,389
Balances as of March 31, 2025	27,598	$ 33	$410,281	5,524	$(35,048)	$ (21)	$ (1,387)	$(322,272)	$ 51,586

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (cont.)
(in thousands)
(unaudited)

	Nine Months Ended March 31, 2024								
	Common Stock		Additional Paid-in Capital	Treasury Stock		Notes Receivable From Stockholders	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
Balances as of June 30, 2023	31,482	$ 32	$401,087	786	$ (5,763)	$ (97)	$ (2,122)	$(331,441)	$ 61,696
Interest on stockholder notes	—	—	—	—	—	(1)	—	—	(1)
Repayment of stockholder notes	—	—	—	—	—	77	—	—	77
Issuance of common stock upon exercise of stock options	185	1	573	—	—	—	—	—	574
Issuance of common stock in connection with employee stock purchase plan	70	—	417	—	—	—	—	—	417
Repurchase of common stock	(1,355)	—	—	1,355	(8,529)				(8,529)
Stock-based compensation	—	—	3,513	—	—	—	—	—	3,513
Foreign currency translation adjustments	—	—	—	—	—	—	(160)	—	(160)
Net income	—	—	—	—	—	—	—	6,274	6,274
Balances as of March 31, 2024	30,382	$ 33	$405,590	2,141	$(14,292)	$ (21)	$ (2,282)	$(325,167)	$ 63,861

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net income	$ 1,389	$ 6,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of costs capitalized to obtain revenue contracts	1,046	1,170
Amortization of right-of-use assets	803	829
Depreciation and amortization	263	296
Provision for credit losses	63	99
Deferred income taxes	(250)	(464)
Stock-based compensation	1,953	3,513
Gain on disposal of property and equipment	(5)	—
Changes in operating assets and liabilities:		
Accounts receivable	19,422	20,505
Costs capitalized to obtain revenue contracts	(542)	(522)
Prepaid expenses	433	75
Other current assets	248	(54)
Other non-current assets	137	(139)
Accounts payable	(763)	(508)
Accrued compensation	(443)	(754)
Accrued liabilities	(764)	233
Deferred revenue	(12,758)	(12,328)
Operating lease liabilities	(673)	(709)
Other long-term liabilities	29	58
Net cash provided by operating activities	9,588	17,574
Cash flows from investing activities:		
Purchases of property and equipment	(352)	(149)
Net cash used in investing activities	(352)	(149)
Cash flows from financing activities:		
Proceeds from exercise of stock options	488	574
Proceeds from employee stock purchase plan	424	417
Repurchases of common stock	(12,017)	(8,529)
Interest on stockholder notes		(1)
Repayment of stockholder notes	—	77
Net cash used in financing activities	(11,105)	(7,462)
Effect of change in exchange rates on cash and cash equivalents	603	(182)
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,266)	9,781
Cash, cash equivalents and restricted cash at beginning of period	70,011	73,208
Cash, cash equivalents and restricted cash at end of period	$ 68,745	$ 82,989
Supplemental cash flow disclosures:		
Cash paid for taxes	$ 920	$ 1,165
Right-of-use assets and lease liabilities recognized from lease modification	$ 677	2,140
Non-cash items:		
Purchases of equipment included in accounts payable	$ 4	$ —

See accompanying notes to condensed consolidated financial statements.

EGAIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

eGain Corporation (eGain, the Company, our, we or us) automates customer engagement with an AI knowledge hub SaaS solution. We sell to enterprises who want to better serve customers at scale by delivering trusted answers across self-service, contact centers, and field staff. True to our mantra of **AX + BX + CX = DX™**, our AI knowledge hub orchestrates effortless Digital eXperience (DX) as it assists Agent eXperience (AX), empowers Business eXperience (BX) and assures Customer eXperience (CX). Many global brands use eGain to improve experience and reduce costs. We are headquartered in Sunnyvale, California in the United States (U.S.). We also operate in the United Kingdom and India.

Fiscal Year

The Company's fiscal year ends on June 30. References to fiscal year 2025 refers to the Company's fiscal year ending June 30, 2025. References to fiscal year 2024 refers to the Company's fiscal year ended June 30, 2024.

Basis of Presentation

The accompanying condensed consolidated balance sheet as of March 31, 2025 and the condensed consolidated statements of operations, comprehensive income, and stockholders' equity for the three and nine months ended March 31, 2025 and cash flows for the nine months ended March 31, 2025 are unaudited. The condensed consolidated balance sheet as of June 30, 2024 was derived from audited consolidated financial statements as of that date but does not include all the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements.

Certain information and footnote disclosures, normally included in consolidated financial statements prepared in accordance with GAAP, have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, the unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of our financial position, results of operations, and cash flows for the periods presented.

These condensed consolidated financial statements and notes should be read in conjunction with our audited consolidated financial statements and accompanying notes for the fiscal year ended June 30, 2024, included in our Annual Report on Form 10-K. The results of our operations for the interim periods presented are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending June 30, 2025.

Principles of Consolidation

We prepared the condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and included the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions in the condensed consolidated financial statements and accompanying notes. Actual results could differ significantly from estimates. We make estimates that we believe to be reasonable based on historical experience and other assumptions. Significant estimates and assumptions made by management include the following:

- Standalone selling price (SSP) of performance obligations for contracts with multiple performance obligations;
- Estimate of variable consideration for performance obligations in connection with Topic 606;
- Period of benefit associated with capitalized costs to obtain revenue contracts;
- Valuation, measurement and recognition of current and deferred income taxes;
- Fair value of stock-based awards; and
- Lease term and incremental borrowing rate for lease liabilities.

Recent Accounting Pronouncements

Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosures on expanded information about their reportable segments' significant expenses and other segment items on an interim and annual basis. The ASU is effective for fiscal years beginning after December 15, 2024 (our fiscal year 2026), with early adoption permitted. The ASU is required to be applied retrospectively to all prior periods presented in the financial statements once adopted. We are currently evaluating the impact of this update on our condensed consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-08, Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets, which requires fair value measurement of certain crypto assets each reporting period with changes in fair value reflected in net income. The amendments also require disclosure about significant holdings, contractual sale restrictions, and changes during the reporting period. The ASU is effective for fiscal years beginning after December 15, 2024 (our fiscal year 2026), with early adoption permitted. The ASU is required to be applied retrospectively to all prior periods presented in the financial statements once adopted. We are currently evaluating the impact of this update on our condensed consolidated financial statements and related disclosures.

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, which requires disaggregated disclosure of income statement expenses for public business entities. The objective of this guidance is to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) included in each relevant expense caption. This ASU is effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027 (our fiscal year 2028), with early and retrospective adoption permitted. We are currently evaluating the impact of this update on our condensed consolidated financial statements and related disclosures.

Revenue Recognition

Revenue Recognition Policy

Our revenue is comprised of two categories including SaaS and professional services. SaaS revenue includes cloud delivery arrangements, term licenses, embedded original equipment manufacturer (OEM) royalties, and associated support. An immaterial amount of SaaS revenue is comprised of our legacy revenue which is associated with license, maintenance, and support contracts on perpetual license arrangements that we no longer sell. Professional services include consulting, implementation, training, and managed services.

Significant Judgment Applied in the Determination of Revenue Recognition

We enter into contractual arrangements with customers that may include promises to transfer multiple services, such as subscription, support, or professional services. With respect to our business, a performance obligation is a promise to transfer a service to a customer that is distinct. Significant judgment is required to determine whether services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting. Additionally, significant judgment is required to determine the timing of revenue recognition.

We allocate the transaction price to each performance obligation based on relative SSP. The SSP is the price at which we would sell a promised service separately to one of our customers. Judgment is required to determine the SSP for each distinct performance obligation.

We determine the SSP by considering our pricing objectives in relation to market demand. Consideration is placed based on our history of discounting prices, size and volume of transactions involved, customer demographics and geographic locations, price lists, contract prices, and our market strategy.

Determination of Revenue Recognition

Under Topic 606, we recognize revenue upon the transfer of control of promised services to our customers in the amount that is commensurate with the consideration that we expect to receive in exchange for those services. If consideration includes a variable amount in the arrangement, such as service level credits or contingent fees, then we include an estimate of the amount that we expect to receive for the total transaction price.

The amount of revenue that we recognize is based on (i) identifying the contract with a customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations in the contract on a relative SSP basis; and (v) recognizing revenue when, or as, we satisfy each performance obligation in the contract typically through delivery or when control is transferred to the customer.

SaaS Revenue

The following customer arrangements are recognized ratably over the contract term as the performance obligations are delivered:

- Cloud delivery arrangements;
- Maintenance and support arrangements; and
- Term licenses which incorporate on-premise software licenses and a subscription to substantial cloud functionalities.

For contracts involving distinct software licenses, the license performance obligation is satisfied at a point in time when control is transferred to the customer.

We typically invoice our customers in advance upon execution of the contract or subsequent renewals with payment terms generally between 30 and 45 days. Invoiced amounts are recorded in accounts receivable, deferred revenue or revenue, depending if control transferred to our customers based on each arrangement.

We have a royalty revenue agreement with a customer related to our embedded intellectual property. Under the terms of the agreement, the customer is to provide us a combination of fixed fee and per agent fee, for each software license sold containing the embedded software. These embedded OEM royalties are included as SaaS revenue. Under Topic 606 revenue guidance, since these arrangements are for usage-based licenses of intellectual property, for which the guidance in paragraph ASC 606-10-55-65 applies, we estimate revenue recognized only as the performance obligation of the OEM royalties has been satisfied or partially satisfied. Differences between actual results and estimated amounts are adjusted in the following period as such sales are reported by the customer with a quarter in arrears.

Professional Services Revenue

Professional services revenue includes system implementation, consulting, training, and managed services. The transaction price is allocated to various performance obligations based on their SSP. Revenue allocated to each performance obligation is recognized at the earlier of satisfaction of discrete performance obligations, or as work is performed on a time and material basis. Managed services include a comprehensive set of processes and activities that range from implementation to monitoring the evolution and support of eGain solutions in a company. Our consulting and implementation service contracts are bid either on a time-and-material basis or on a fixed-fee basis. Managed services contracts are bid on a time-and-material basis. Fixed fees are generally paid upon milestone billing or customer acceptance at pre-determined points in the contract. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether transfer of control to customers has occurred.

Training revenue that meets the criteria to be accounted for separately is recognized when training is provided.

Contracts with Multiple Performance Obligations

We enter into contracts that can include various combinations of subscriptions, professional services, or maintenance and support, which are generally distinct and accounted for as separate performance obligations. For contracts with multiple performance obligations, we allocate the transaction price of the contract to each performance obligation on a relative basis using the respective SSP for each performance obligation.

Costs Capitalized to Obtain Revenue Contracts, Net

Under Topic 606, we capitalize incremental costs of obtaining non-cancelable subscription and support revenue contracts. The capitalized amounts consist primarily of sales commissions paid to our direct sales force. Capitalized amounts also include (i) amounts paid to employees other than the direct sales force who earn incentive payouts under annual compensation plans that are tied to the value of contracts acquired and (ii) the associated payroll taxes and fringe benefit costs associated with the payments to our employees.

Costs capitalized related to new revenue contracts are generally deferred and amortized on a straight-line basis over a period of benefit that we estimate to be five years. We determine the period of benefit by taking into consideration the historical and expected durations of our customer contracts, the expected useful lives of our technologies, and other factors. Commissions for renewal contracts relating to our cloud-based arrangements are expensed when incurred, as we do not consider renewal contracts to be commensurate with initial customer contracts. Historically, any commission associated with renewals have been immaterial. Amortization of costs to obtain revenue contracts is included as a component of sales and marketing expenses in our condensed consolidated statements of operations.

During the three and nine months ended March 31, 2025, we capitalized $24,000 and $542,000 of costs to obtain revenue contracts, respectively, and amortized $362,000 and $1.0 million to sales and marketing expense, respectively.

During the three and nine months ended March 31, 2024, we capitalized $36,000 and $522,000 of costs to obtain revenue contracts, respectively, and amortized $325,000 and $1.2 million to sales and marketing expense, respectively.

Capitalized costs to obtain revenue contracts, net were $2.6 million and $3.1 million as of March 31, 2025 and June 30, 2024, respectively, on our condensed consolidated balance sheets.

Deferred Revenue

Deferred revenue primarily consists of payments received in advance of revenue recognition from cloud, term and ratable licenses, and maintenance and support services and is recognized as the revenue recognition criteria are met. We generally invoice customers in annual or quarterly installments. The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable cloud or maintenance and support agreements. Deferred revenue is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing and new business linearity within the financial reporting period.

Segment Information

We operate in one segment - the development, license, implementation, and support of our customer service infrastructure software solutions. Operating segments are identified as components of an enterprise for which discrete financial information is available and regularly reviewed by our chief operating decision-maker in order to make decisions about resources to be allocated to the segment and assess its performance. Our chief operating decision-makers under ASC 280, *Segment Reporting*, are our executive management team. Our chief operating decision-makers review financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance.

Our revenue is derived from North America and combined Europe, Middle East, and Africa (EMEA) and is disclosed in Note 2. However, we incur operating expenses in the North America, EMEA, and Asia Pacific regions.

The following table presents our income from operations among our three operating regions (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Income from operations:				
North America	$ (153)	$ 1,085	$ 215	$ 5,039
Europe, Middle East, & Africa	1,636	1,416	5,797	4,607
Asia Pacific	(1,456)	(1,563)	(4,826)	(4,867)
Income from operations	$ 27	$ 938	$ 1,186	$ 4,779

The following table presents our long-lived assets, corresponding to our geographic areas are as follows (in thousands):

	March 31, 2025	June 30, 2024
Long-lived assets:		
North America	$ 311	$ 216
Europe, Middle East, & Africa	68	81
Asia Pacific	154	144
Long-lived assets	$ 533	$ 441

For the purposes of entity-wide geographic area disclosures, long-lived assets consist of computers and equipment, furniture and fixtures, and leasehold improvements, net of accumulated depreciation and amortization. These items are included in property and equipment, net, on the accompanying Company's condensed consolidated balance sheets.

Concentration of Credit Risk and Significant Customers

Our financial instruments that are exposed to concentrations of credit risk include cash and cash equivalents, restricted cash, and accounts receivable. We complement direct sales with resell partnerships based on product connectors into cloud contact center platforms. We also partner with system integrators and managed service providers. One customer, who is also one of our resell partners, accounted for more than 10% of total revenue during the three and nine months ended March 31, 2025. Two customers, one of which is also a resell partner, accounted for more than 10% of total revenue during the three and nine months ended March 31, 2024. Two customers, one of which is our resell partner, accounted for 10% or more of our gross accounts receivable balance, less provision for credit losses as of March 31, 2025. Four customers, one of which is our resell partner, accounted for 10% or more of our gross account receivable balance, less provision for credit losses as of June 30, 2024.

Accounts Receivable and Provision for Credit Losses

We extend unsecured credit to our customers on a regular basis. Our accounts receivable are derived from revenue earned from customers and are not interest bearing. We also maintain a provision for credit losses to reserve for potential uncollectible trade receivables. We review our trade receivables by aging category to identify specific customers with known disputes or collectability issues. We exercise judgment when determining the adequacy of these reserves as we evaluate historical bad debt trends, general economic conditions in the U.S. and internationally, and changes in customer financial conditions. We write off a receivable after collection efforts have been exhausted and the amount is deemed uncollectible. Recovered written off receivables are recorded as they occur.

In certain revenue contracts, contractual billings do not coincide with revenue recognized on the contract. Unbilled accounts receivables are recorded when revenue recognized on the contract exceeds billings, pursuant to contract provisions, and becomes billable upon certain criteria being met. Unbilled accounts receivables, for which the Company has the unconditional right to consideration, totaled $1.3 million and $3.6 million as of March 31, 2025 and June 30, 2024, respectively, and are included in the gross accounts receivable balance, less provision for credit losses on the accompanying condensed consolidated balance sheets.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period, net of expected forfeitures. Stock-based compensation expense consists of expenses for stock options, restricted stock units (RSUs), and discounted employee common stock granted under our Amended and Restated 2005 Management Stock Option Plan, our Amended and Restated 2005 Stock Incentive Plan, and our 2017 Employee Stock Purchase Plan (ESPP).

The ESPP provides that eligible employees may purchase the Company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market value at the entry date of the applicable offering period or at the end of each applicable purchasing period. The offering period, meaning a period with respect to which the right to purchase shares of our common stock may be granted under the ESPP, will not exceed twenty-seven months and consist of a series of six-month purchase periods. Eligible employees may join the ESPP at the beginning of any six-month purchase period. Under the terms of the ESPP, employees can choose to have between 1% and 15% of their base earnings withheld to purchase the Company's common stock.

Determining the fair value of the stock-based awards at the grant date requires significant judgment and the use of estimates, particularly surrounding Black-Scholes valuation assumptions such as stock price volatility and expected option term.

Below is a summary of stock-based compensation included in the costs and expenses (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Stock-based compensation expense:				
Cost of revenue	$ 217	$ 343	$ 679	$ 924
Research and development	272	331	523	1,095
Sales and marketing	98	120	277	476
General and administrative	112	316	474	1,018
Total stock-based compensation expense	$ 699	$ 1,110	$ 1,953	$ 3,513

Total stock-based compensation includes expense related to non-employee awards of $11,000 and $42,000 during the three and nine months ended March 31, 2025, respectively. Total stock-based compensation includes expense related to non-employee awards of $26,000 and $77,000 during the three and nine months ended March 31, 2024, respectively.

Total stock-based compensation includes expense related to the ESPP of $84,000 and $245,000 for the three and nine months ended March 31, 2025, respectively. Total stock-based compensation includes expense related to the ESPP of $102,000 and $268,000 for the three and nine months ended March 31, 2024, respectively.

We utilize the Black-Scholes valuation model for estimating the fair value of the stock-based compensation of options granted and ESPP stock purchase rights. We estimate the fair value for stock based RSU awards based on the closing market price of grant date. All shares of our common stock issued pursuant to our stock option, RSUs, and ESPP plans are only issued out of an authorized reserve of shares of common stock which were previously registered with the SEC on Registration Statements on Form S-8.

During the three months ended March 31, 2025 and 2024, we granted options to purchase 149,700 and 9,600 shares of common stock with a weighted-average grant date fair value of $2.52 and $3.17 per share, respectively.

During the nine months ended March 31, 2025 and 2024, we granted options to purchase 513,467 and 60,000 shares of common stock with a weighted-average grant date fair value of $2.66 and $3.27 per share, respectively.

We used the following weighted-average assumptions as inputs into the Black-Scholes valuation model to estimate the fair value of the options granted:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Expected volatility	53 %	55 %	54 %	54 %
Average risk-free interest rate	4.25 %	4.12 %	4.15 %	4.32 %
Expected life (in years)	4.55	4.56	4.56	4.55
Dividend yield	—	—	—	—

The dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends. We determined the appropriate measure of expected volatility by reviewing historic volatility in the share price of our common stock, as adjusted for certain events that management deemed to be non-recurring and non-indicative of future events. The risk-free interest rate is derived from the average U.S. Treasury Strips rate with maturities approximating the expected lives of the awards during the period, which approximate the rate in effect at the time of the grant.

On December 1, 2024, certain employees were granted the right to purchase an aggregate of 103,618 shares under the ESPP. Stock-based compensation expense for the three and nine months ended March 31, 2025 was $84,000 and $115,000, respectively.

On December 1, 2023, certain employees were granted the right to purchase an aggregate of 87,332 shares under the ESPP. Stock-based compensation expense for the three and nine months ended March 31, 2024 was $102,000 and $136,000, respectively.

As of March 31, 2025, there were 674,749 shares of common stock available for issuance under the ESPP.

We base our estimate of expected life of a stock option on the historical exercise behavior and cancellations of all past option grants made by the Company during the time period which its equity shares have been publicly traded, the contractual term of the option, the vesting period and the expected remaining term of the outstanding options.

In accordance with ASU 2016-09, *Compensation—Stock Compensation: Improvements to Employee Share-Based Accounting*, we elected to continue to estimate forfeitures in the calculation of stock-based compensation expense.

As of March 31, 2025, there was approximately $998,000 of total unrecognized compensation cost, net of expected forfeitures, related to unvested stock options, which is expected to be recognized over the weighted-average period of 1.06 years. There were 11,800 and 60,992 options exercised during the three months ended March 31, 2025 and 2024, respectively. There were 161,117 and 184,492 options exercised during the nine months ended March 31, 2025 and 2024, respectively.

As of March 31, 2025, there was approximately $740,000 of total unrecognized compensation cost, net of expected forfeitures, related to unvested RSUs, which is expected to be recognized over the weighted-average period of 0.63 years. There were no RSUs granted during the three months ended March 31, 2025. There were 226,654 RSUs granted during the nine months ended March 31, 2025, with a weighted average grant date fair value of $5.71 per share. There were no RSUs granted during the three months ended March 31, 2024. There were 200,821 RSUs with a weighted average grant date fair value of $7.55 per share granted during the nine months ended March 31, 2024.

Leases

Lease agreements are evaluated to determine whether an arrangement is or contains a lease in accordance with ASC 842, *Leases*.

Operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liabilities, and noncurrent operating lease liabilities in the condensed consolidated financial statements. ROU assets represent the Company's right to use leased assets over the agreed upon term. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date of the lease. The lease liability is measured as the present value of the lease payments over the lease term, using the rate implicit in the lease if readily determinable. If the rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate at lease commencement. The operating lease ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and any prepayments, less unamortized lease incentives received.

Operating leases typically include non-lease components such as common-area maintenance costs. We have elected to include non-lease components with lease payments for the purpose of calculating lease ROU assets and liabilities, to the extent that they are fixed. Non-lease component payments that are not fixed are expensed as incurred as variable lease payments.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected not to recognize ROU assets and obligations for leases with an initial term of twelve months or less, and has applied a capitalization threshold to recognize a lease on the condensed consolidated balance sheet. The expense associated with short-term leases and leases that do not meet the Company's capitalization threshold are recorded to lease expense in the period it is incurred.

Goodwill

We review goodwill annually for impairment or sooner whenever events or changes in circumstances indicate that it may be impaired. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. We operate under a single reporting unit and accordingly, all of our goodwill is associated with the entire company. We had no indicators of impairment during the three and nine months ended March 31, 2025.

2. REVENUE RECOGNITION

Disaggregation of Revenue

The following table presents our SaaS and professional services revenue during the three and nine months ended March 31, 2025 and 2024, respectively (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024
Revenue:				
SaaS revenue	$ 19,563	$ 20,324	$ 60,230	$ 64,643
Professional services revenue	1,446	2,026	4,967	5,698
Total revenue	$ 21,009	$ 22,350	$ 65,197	$ 70,341

The following table presents our revenue recognized over-time and at a point-in-time during the three and nine months ended March 31, 2025 and 2024, respectively (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024
Revenue:				
Over-time	$ 19,977	$ 20,141	$ 60,829	$ 62,582
Point-in-time	1,032	2,209	4,368	7,759
Total revenue	$ 21,009	$ 22,350	$ 65,197	$ 70,341

The following table presents our revenue by geography. Revenue by geography is generally determined on the region of our contracting entity rather than the region of our customer. The relative proportion of our total revenue between each geographic region as presented in the table below was materially consistent across each of our operating regions' revenue for the periods presented (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024
Revenue:				
North America	$ 16,452	$ 17,417	$ 50,205	$ 55,242
Europe, Middle East, & Africa	4,557	4,933	14,992	15,099
Total revenue	$ 21,009	$ 22,350	$ 65,197	$ 70,341

Contract Balances

Contract assets, if any, consist of unbilled receivables for completed performance obligations which have not been invoiced, and for which we do not have an unconditional right to consideration. Unbilled receivables are included in accounts receivable, less provision for credit losses on our condensed consolidated balance sheets. Contract liabilities consist of deferred revenue for which we have an obligation to transfer services to customers and have received consideration in advance or the amount is due from customers. Once the obligations are fulfilled, then deferred revenue is recognized to revenue in the respective period.

The following table presents our contract liabilities (in thousands):

	March 31, 2025	June 30, 2024
Contract liabilities:		
Deferred revenue	$ 35,373	$ 45,989
Deferred revenue, net of current portion	1,384	3,280
Total deferred revenue	$ 36,757	$ 49,269

$7.9 million and $30.6 million of deferred revenue as of June 30, 2024 was recognized as revenue during the three and nine months ended March 31, 2025, respectively.

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not yet been recognized, and include deferred revenue, invoices that have been issued to customers but are uncollected and not yet recognized as revenue, and amounts that will be invoiced and recognized as revenue in future periods. The transaction price allocated to the remaining performance obligation is influenced by a variety of factors, including seasonality, timing of renewals, average contract terms and foreign currency exchange rates. As of March 31, 2025, our remaining performance obligations were $66.5 million, of which we expect to recognize $44.3 million and $22.2 million as revenue within one year and beyond one year, respectively.

3. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted-average number of shares of common stock outstanding. In periods where net income is reported, the weighted-average number of shares is increased by stock options in the money and shares issuable for RSUs subject to service-based vesting requirements to calculate diluted earnings per share.

The following table represents the calculation of basic and diluted earnings per share (unaudited; in thousands, except per share data):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Net income	$ 66	$ 1,493	$ 1,389	$ 6,274
Per share information:				
Earnings per share:				
Basic	$ 0.00	$ 0.05	$ 0.05	$ 0.20
Diluted	$ 0.00	$ 0.05	$ 0.05	$ 0.20
Weighted-average shares used in computation:				
Basic	28,065	30,976	28,439	31,212
Effect of dilutive options and RSUs	417	623	510	646
Diluted	28,482	31,599	28,949	31,858

Weighted-average shares of stock options to purchase 3,527,358 and 3,458,040 shares of common stock for the three months ended March 31, 2025 and 2024, respectively, and weighted-average shares of stock options to purchase 3,458,061 and 3,504,202 shares of common stock for the nine months ended March 31, 2025 and 2024, respectively, were not included in the computation of diluted earnings per share due to their anti-dilutive effect. Such securities could have a dilutive effect in future periods.

4. INCOME TAXES

Income taxes are accounted for using the asset and liability method in accordance with ASC 740, *Income Taxes.* Under this method, deferred tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

We assess our ability to realize the deferred tax assets on a quarterly basis and we establish a valuation allowance if it is more-likely-than-not that some portion of the deferred tax assets will not be realized. For the legacy eGain business in the U.S., based upon the weight of available evidence, which includes our historical operating performance, our future investment plans, and the uncertainty in the current market and economic environment, we have provided a full valuation allowance against our net deferred tax assets. Performance improvement in the U.S. could result in a change in the realization of the deferred tax assets in the next twelve months, which would result in a release of the valuation allowance for such jurisdiction. The reversal of such valuation allowance would result in an income tax benefit for the quarterly and annual fiscal periods in which we release the valuation allowance. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the positive evidence that exists at such time.

For the legacy eGain business in the United Kingdom, based on the positive evidence, the Company has determined it would be able to utilize the deferred tax assets and does not have a valuation allowance against the deferred tax assets. The remaining eGain foreign operations, including its wholly-owned subsidiary Exony Limited, have historically been profitable and we believe it is more likely than not that those assets will be realized. Our tax provision primarily relates to foreign activities as well as state income taxes. Our income tax rate differs from the statutory tax rates primarily due to the change in valuation allowance, stock-based compensation, Section 267 inclusion, research and development tax credits, and our foreign operations.

We account for uncertain tax positions according to the provisions of ASC 740. ASC 740 contains a two-step approach for recognizing and measuring uncertain tax positions. Tax positions are evaluated for recognition by determining if the weight of available evidence indicates that it is probable that the position will be sustained on audit, including resolution of related appeals or litigation. Tax benefits are then measured as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

As of March 31, 2025, utilization of the net operating loss (NOL) or tax credit carryforwards to offset future taxable income and taxes, respectively, are subject to an annual limitation under the Internal Revenue Code of 1986 and similar state provisions, which is determined by first multiplying the value of the Company’s stock at the time of the ownership change by the applicable long-term, tax-exempt rate, and then could be subject to additional adjustments such as built in gain or built in loss, as required. Any limitation may result in expiration of all or a portion of its NOL and or tax credit carryforwards before utilization. The Company has not identified a change in ownership as of March 31, 2025 that would significantly limit the NOL carryovers.

Under the Tax Cuts and Jobs Act, enacted on December 22, 2017, federal NOLs incurred in 2018 and in future years may be carried forward indefinitely, but generally may not be carried back, and the deductibility of such NOLs is limited to 80% of taxable income.

In 2024, California enacted legislation including S.B.167, which suspends the use of NOLs by businesses for tax years 2024 through 2026, limits the use of tax credits by businesses to $5 million for tax years 2024 through 2026, and clarifies that income not included in apportionable business income is excluded from the sales factor of the apportionment formula. S.B.175, provides some relief from the $5 million credit limitation in S.B. 167 by allowing taxpayers subject to the limit to elect to later receive a refund of credits they would have otherwise used to reduce tax liabilities during the limitation period.

5. LEASES

We lease our office facilities under non-cancelable operating leases that expire on various dates through fiscal year 2033. We modified two of our existing operating leases by extending the terms under such leases, which resulted in an increase in operating lease ROU assets and operating lease liabilities in the amount of approximately $71,000 and $677,000 during the three and nine months ended March 31, 2025, respectively. All of our office leases are classified as operating leases with lease expense recognized on a straight-line basis over the lease term. Lease ROU assets and liabilities are recognized on the commencement date at the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at the commencement date to determine the present value of lease payments.

Total operating lease costs were $330,000 and $353,000 for the three months ended March 31, 2025 and 2024, respectively. Total operating lease costs remained consistent at $1.0 million for the nine months ended March 31, 2025 and 2024.

For the three and nine months ended March 31, 2025, operating cash outflows for operating leases were $287,000 and $883,000, respectively. For the three and nine months ended March 31, 2024, operating cash outflows for operating leases were $310,000 and $900,000, respectively.

The following tables present information about leases on our condensed consolidated balance sheets (in thousands):

	March 31, 2025	June 30, 2024
Assets:		
Operating lease right-of-use assets	$ 3,705	$ 3,811
Liabilities:		
Operating lease liabilities	1,186	1,179
Operating lease liabilities, net of current portion	2,611	2,592

The following table presents information about the weighted average lease term and discount rate as follows:

	March 31, 2025	June 30, 2024
Weighted average remaining lease term (in years)	5.12	5.52
Weighted average discount rate	8.26 %	7.66 %

As of March 31, 2025, remaining maturities of lease liabilities are as follows (in thousands):

Fiscal Period:		
Remaining three months of fiscal year 2025	$	294
Fiscal year 2026		1,209
Fiscal year 2027		1,091
Fiscal year 2028		577
Fiscal year 2029		409
Fiscal year 2030		285
Fiscal year 2031 and thereafter		998
Total minimum lease payments		4,863
Less: Imputed interest		(1,066)
Total operating lease liabilities		3,797
Less: Current operating lease liabilities		(1,186)
Total operating lease liabilities, net of current portion	$	2,611

6. COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of business, we are involved in various legal proceedings and claims related to alleged infringement of intellectual property rights, commercial, corporate and securities, labor and employment, wage and hour, and other claims that are not expected to have a material impact on our business or our condensed consolidated financial statements. We have been, and may in the future be, put on notice and/or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

We evaluate all claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, settlement or litigation potential and the expected effect on us. Our technologies may be subject to injunction if they are found to infringe the rights of a third-party. In addition, our agreements require us to indemnify our customers for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling on such a claim.

Warranty

We generally warrant that the program portion of our software will perform substantially in accordance with certain specifications for a period up to one year from the date of delivery. Our liability for a breach of this warranty is either a return of the license fee or providing a fix, patch, work-around or replacement of the software.

We also provide standard warranties against and indemnification for the potential infringement of third-party intellectual property rights to our customers relating to the use of our products, as well as indemnification agreements with certain officers and employees under which we may be required to indemnify such persons for liabilities arising out of their duties to us. The terms of such obligations vary. Generally, the maximum obligation is the amount permitted by law. Historically, cost related to these warranties have not been significant. However, we cannot guarantee that a warranty reserve will not become necessary in the future.

Indemnification

We have agreed to indemnify our directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person’s service as a director or officer, including any action by us, arising out of that person’s services as our director or officer or that person’s services provided to any other company or enterprise at our request.

Transfer Pricing

We have received transfer-pricing assessments from tax authorities with regard to transfer pricing issues for certain fiscal years, which we have appealed with the appropriate authority. We review the status of each significant matter and assess its potential financial exposure. We believe that such assessments are without merit and would not have a significant impact on our condensed consolidated financial statements.

Contractual Commitments

Our principal contractual commitments consist of obligations under leases for office space. Lease agreements are evaluated to determine whether an arrangement is or contains a lease in accordance with ASC 842, *Leases*.

7. FAIR VALUE MEASUREMENT

ASC 820, *Fair Value Measurement* (ASC 820), defines fair value, establishes a framework for measuring fair value of assets and liabilities, and expands disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings or other comprehensive income when they occur. ASC 820 applies whenever other statements require or permit assets or liabilities to be measured at fair value.

ASC 820 includes a fair value hierarchy, of which the first two are considered observable and the last unobservable, that is intended to increase the consistency and comparability in fair value measurements and related disclosures. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 – instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2 – instrument valuations are obtained from readily-available pricing sources for comparable instruments.

Level 3 – instrument valuations are obtained without observable market value and require a high level of judgment to determine the fair value.

Our money market funds are measured at fair value on a recurring basis based on quoted market prices in active markets and are classified as level 1 within the fair value hierarchy. As of March 31, 2025 and June 30, 2024, cash equivalents classified as level 1 instruments, including money market account investments, were measured at $48.8 million and $58.4 million, respectively.

8. SHARE REPURCHASE PROGRAM

On November 14, 2022, our board of directors authorized a stock repurchase program under which we may purchase up to $20.0 million of our outstanding common stock. On May 31, 2024, our board of directors authorized a $20.0 million increase in its stock repurchase program, bringing the aggregate amount we may purchase thereunder from $20.0 million to $40.0 million of its outstanding common stock. As of March 31, 2025, approximately $5.0 million remained available for stock repurchases pursuant to our stock repurchase program.

Under the stock repurchase program, we may purchase shares of common stock on a discretionary basis from time to time through open market transactions or privately negotiated transactions at prices deemed appropriate by us. In addition, at our discretion, open market repurchase of common stock may also be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when we might otherwise be precluded from doing so under insider trading laws or self-imposed trading restrictions.

The timing and number of shares repurchased will be determined based on an evaluation of market conditions and other factors, including stock price, trading volume, general business and market conditions, and the availability of capital. The original stock repurchase program became effective on November 14, 2022, and was amended on November 14, 2024 to extend the term until the earlier of (i) the date the aggregate amount of shares that can be repurchased under the stock repurchase program have been repurchased and (ii) November 14, 2025, unless further extended. The stock repurchase program does not obligate us to acquire a specified number of shares and may be modified, suspended, or discontinued at any time at our discretion without notice. The stock repurchase program will be funded using existing cash or future cash flows. During the three months ended March 31, 2025, 894,620 shares have been repurchased for an average acquisition cost per share of $5.61, totaling $5.0 million. During the nine months ended March 31, 2025, 1,985,978 shares have been repurchased for an average acquisition cost per share of $6.05, totaling $12.0 million. We intend to reissue repurchased shares at a later date and therefore carry the shares as treasury stock, at cost.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q, and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the year ended June 30, 2024.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future periods, future events or our future operating or financial plans or performance. Often, these statements include the words "believe," "expect," "target," "anticipate," "intend," "plan," "seek," "estimate," "potential," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," "might," or "may," or the negative of these terms, and other similar expressions. These forward-looking statements that involve risks and uncertainties include statements as to:

- *our belief that it is useful to exclude certain non-cash charges and non-core operational charges from non-GAAP operating income;*
- *expected benefits of our solutions to our clients and partners;*
- *our value proposition;*
- *customer and market expectations in the market in which we operate, and our ability to meet expectations and satisfy such needs;*
- *our lengthy sales cycles and the difficulty in predicting timing of sales or delays;*
- *our expectations with respect to revenue, cost of revenue, expenses and other financial metrics;*
- *our business plans, strategies, targets, and outlook;*

- *changes in technology, including AI technology and services;*
- *our expectations related to our product development plan;*
- *competition in the markets in which we do business and our competitive advantages;*
- *our beliefs regarding our prospects for our business;*
- *changes in demand for our solutions;*
- *our expectations regarding the composition of our customers and the result of a loss of a significant customer;*
- *our reliance on strategic and third-party distribution partnerships;*
- *the risk of unauthorized access to a customer's data or our data or our IT systems and cybersecurity attacks;*
- *our ability to timely adapt and comply with changing European regulatory and political environments;*
- *the effect of recent changes in U.S. tax legislation;*
- *the effect of compliance with privacy laws and regulations on our business and our customers;*
- *our ability to take adequate precautions against claims or lawsuits made by third parties, including alleged infringement of proprietary rights;*
- *the adequacy of our capital resources and our ability to raise additional financing;*
- *the risks related to our international operations;*
- *the potential impact of foreign currency fluctuations and inflation; and*
- *the potential impact of health epidemics.*

These forward-looking statements reflect our current views with respect to future events, are based on assumptions and are subject to risks and uncertainties. These risks and uncertainties could cause actual results to differ materially from those projected and include, but are not limited to:

- *our ability to manage our business plans, strategies, target and outlooks and any business-related forecasts or projections;*
- *our ability to improve our current solutions;*
- *our ability to innovate and respond to rapid technological change and competitive challenges;*
- *our ability to execute our sales and marketing strategy;*
- *customer acceptance of our existing and future solutions;*
- *our ability to predict subscription renewals;*
- *the impact of new legislation or regulations on our business;*
- *the impact of accounting pronouncements and our critical accounting policies, judgments, estimates, models and assumptions on our financial results;*
- *our ability to compete;*
- *the success of our strategic and distribution partnerships;*
- *our ability to obtain capital when needed;*
- *our ability to manage future growth;*
- *our ability to retain key personnel and hire additional personnel;*

- *risks related to protection of our intellectual property;*
- *foreign currency fluctuations and inflation;*
- *the global economic environment;*
- *risks related to public health pandemics; and*
- *the risks set forth under "Risk Factors."*

Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by federal securities laws, we undertake no obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

All references to "eGain", the "Company", "our", "we" or "us" mean eGain Corporation and its subsidiaries, except where it is clear from the context that such terms mean only eGain and exclude its subsidiaries.

eGain and eGain® are trademarks of eGain Corporation. We also refer to trademarks of other corporations and organizations in this report.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties that could affect our ability to successfully implement our business strategy and affect our financial results. You should carefully consider all of the information in this report and, in particular, the following principal risks and all of the other specific factors described in Item 1A. of this report, "Risk Factors," before deciding whether to invest in our company:

- Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting.
- Our SaaS business model is subject to certain risks.
- Our revenue and operating results have fluctuated in the past and are likely to fluctuate in the future, and because we recognize revenue from subscriptions over a period of time, downturns in revenue may not be immediately reflected in our operating results.
- We cannot accurately predict subscription renewal rates and the impact these rates may have on our future revenue and operating results.
- Our lengthy sales cycles and the difficulty in predicting timing of sales or delays may impair our operating results.
- Because we depend on a relatively small number of customers for a substantial portion of our revenue, the loss of any of these customers or our failure to attract new significant customers could adversely impact our revenue and harm our business.
- The market for customer engagement software, including generative AI product offerings, is competitive, and our business will be adversely affected if we are unable to successfully compete.
- If we fail to expand and improve our sales performance and marketing activities, or retain our sales and marketing personnel, we may be unable to grow our business, which could negatively impact our operating results and financial condition.
- Our failure to maintain, develop or expand strategic and third-party distribution channels would impede our revenue growth.
- Difficulties and delays in customers implementing our products could harm our revenue and margins.

- We conduct a significant portion of our business and operations outside of the U.S., which exposes us to additional risks that may not exist in the U.S. These risks in turn could cause our operating results and financial condition to suffer.
- Unplanned system interruptions, delays in service or inability to increase capacity, including internationally, at our third-party data center facilities could impair the use or functionality of our cloud operations and harm our business.
- Software errors could be costly and time-consuming for us to correct, and could harm our reputation and impair our ability to sell our solutions.
- The terms we agree to in our Service Level Agreements or other contracts may result in increased costs or liabilities, which would in turn affect our results of operations.
- If we are unable to increase the profitability of SaaS revenue, if we experience significant customer attrition, or if we are required to delay recognition of revenue, our operating results could be adversely affected.
- We depend on broad market acceptance of our applications and of our business model. If our expectations regarding the market for our applications are not met, our business could be seriously harmed.
- We may be unable to respond to the rapid technological change and changing customer preferences in the online sales, marketing, customer service, and/or online consumer services industries and this may cause our business to suffer.
- We employ third-party technologies for use in or with our platform and the inability to license such technologies on commercially reasonable terms or the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which could adversely affect our business.
- Our offshore product development, support and professional services may prove difficult to manage or may not allow us to realize our cost reduction goals, produce effective new solutions and provide professional services to drive growth.
- If our cybersecurity systems or the systems of our vendors, partners and suppliers are breached and unauthorized access is obtained to a customer’s data or our data or IT systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.
- Changes in the European regulatory environment regarding privacy and data protection regulations, such as the GDPR, could expose us to risks of noncompliance and costs associated with compliance.
- Privacy concerns and laws, evolving regulation of cloud computing and other domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business.

Overview

eGain automates customer engagement with an AI knowledge hub SaaS solution. We sell to enterprises who want to better serve customers at scale by delivering trusted answers across self-service, contact centers, and field staff. True to our mantra of **AX + BX + CX = DX™**, our AI knowledge hub orchestrates effortless Digital eXperience (DX) as it assists Agent eXperience (AX), empowers Business eXperience (BX) and assures Customer eXperience (CX). Many global brands use eGain to improve experience and reduce costs. We are headquartered in Sunnyvale, California in the U.S. We also operate in the United Kingdom and India.

Key Financial Measures

We monitor the key financial performance measures set forth below as well as cash and cash equivalents and available debt capacity, which are discussed in “Liquidity and Capital Resources,” to help us evaluate trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational effectiveness and efficiencies.

Revenue

We believe total revenue is a useful measure to value our business. SaaS revenue is defined as revenue from cloud delivery arrangements, term licenses, embedded OEM royalties and associated support. Professional services revenue includes system implementation, consulting, training, and managed services.

The following table presents total revenue for each of the following periods:

	Three Months Ended March 31,				Nine Months Ended March 31,			
(in thousands)	**2025**	**2024**	**Change**		**2025**	**2024**	**Change**	
SaaS revenue	$ 19,563	$ 20,324	$ (761)	(4)%	$ 60,230	$ 64,643	$ (4,413)	(7)%
Professional services revenue	1,446	2,026	(580)	(29)%	4,967	5,698	(731)	(13)%
Total revenue:	$ 21,009	$ 22,350	$ (1,341)	(6)%	$ 65,197	$ 70,341	$ (5,144)	(7)%

Non-GAAP Operating Income

Non-GAAP operating income is defined as income from operations, adjusted for the impact of stock-based compensation expense.

Management believes that it is useful to exclude certain non-cash charges and non-core operational charges from non-GAAP operating income because (i) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations; and (ii) such expenses can vary significantly between periods as a result of the timing of new stock-based awards. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

The following table presents a reconciliation of GAAP income from operations to non-GAAP income from operations for each of the following periods:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	**2025**	**2024**	**2025**	**2024**
Income from operations	$ 27	$ 938	$ 1,186	$ 4,779
Add:				
Stock-based compensation	699	1,110	1,953	3,513
Non-GAAP income from operations	$ 726	$ 2,048	$ 3,139	$ 8,292

Critical Accounting Policies and Estimates

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

We believe that the assumptions and estimates, which are described in Note 1 "Summary of Business and Significant Accounting Policies" to our condensed consolidated financial statements, associated with revenue recognition, stock-based compensation, provision for credit losses, the valuation of goodwill, the valuation of deferred tax allowance, and legal contingencies have the greatest potential impact on our condensed consolidated financial statements. We evaluate these estimates on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Sources of Revenue

Our revenue is comprised of two categories including SaaS and professional services. SaaS revenue includes cloud delivery arrangements, term licenses, embedded OEM royalties, and associated support. An immaterial amount of SaaS revenue is comprised of our legacy revenue which is associated with license, maintenance, and support contracts on perpetual license arrangements that we no longer sell. Professional services includes consulting, implementation, training, and managed services.

SaaS Revenue

For our cloud delivery arrangements, our maintenance and support arrangements and our term license subscriptions that incorporate substantial cloud functionality, the combined performance obligation is recognized ratably over the contract term as the obligation is delivered. For contracts involving distinct software licenses, the license performance obligation is satisfied at a point in time when control is transferred to the customer.

We typically invoice our customers in advance upon execution of the contract or subsequent renewals. Invoiced amounts are recorded in accounts receivable, deferred revenue or revenue, depending on when control is transferred to our customers based on each arrangement.

We have a royalty revenue agreement with a customer related to our embedded intellectual property. Under the terms of the agreement, the customer is to provide a combined fixed fee, per agent, for each software license sold containing the embedded software to us. These embedded OEM royalties are included as SaaS revenue. Under revenue guidance, since these arrangements are for sales-based licenses of intellectual property, we recognize revenue only as the subsequent sale occurs. However, since such sales are reported by the customer with a quarter in arrears, such revenue is recognized at the time it is reported and paid by the customer given that any estimated variable consideration would have to be fully constrained due to the unpredictability of such estimate and the unavoidable risk that it may lead to significant revenue reversals.

Professional Services Revenue

Professional services revenue includes system implementation, consulting, training, and managed services. The transaction price is allocated to various performance obligations based on their SSP. Revenue allocated to each performance obligation is recognized as work is performed. Managed services include a comprehensive set of processes and activities that range from implementation to monitoring the evolution and support of our solutions in a company. Our consulting and implementation service contracts are bid either on a time-and-material basis or on a fixed-fee basis. Managed services contracts are bid on a time-and-material basis. Fixed fees are generally paid on milestone billing at pre-determined points in the contract. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether transfer of control to customers has occurred.

Training revenue that meets the criteria to be accounted for separately is recognized when training is provided.

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that had not yet been recognized, and include billed deferred revenue, consisting of amounts invoiced to customers whether collected or uncollected, which have not been recognized as revenue, as well as unbilled amounts that will be invoiced and recognized as revenue in future periods. The transaction price allocated to the remaining performance obligation is influenced by a variety of factors, including seasonality, timing of renewals, average contract terms and foreign currency exchange rates.

As of March 31, 2025, our remaining performance obligations were $66.5 million, of which we expect to recognize $44.3 million and $22.2 million as revenue within one year and beyond one year, respectively.

We expect our remaining performance obligations to change quarterly for several reasons including the timing of new contracts and renewals, duration and size of our subscription and support arrangements, variable billing cycles and foreign exchange rate fluctuation. We typically issue renewal invoices in advance of the renewal service period. Depending on timing, the initial invoice and subsequent renewal invoices may occur in different quarters. This may result in an increase or decrease to our accounts receivable and deferred revenue.

Costs Capitalized to Obtain Revenue Contracts

Under Topic 606, we capitalize incremental costs to obtain non-cancelable subscription and maintenance and support revenue contracts with amortization periods that may extend longer than the non-cancelable subscription and maintenance and support revenue contract terms.

We capitalize incremental costs of obtaining a non-cancelable subscription and maintenance and support revenue contract with amortization periods of one year or more. The capitalized amounts consist primarily of sales commissions paid to our direct sales force. Capitalized amounts also include (i) amounts paid to employees other than the direct sales force who earn incentive payouts under annual compensation plans that are tied to the value of contracts acquired and (ii) the associated payroll taxes and fringe benefit costs associated with the payments to our employees.

Costs capitalized related to new revenue contracts are generally deferred and amortized on a straight-line basis over a period of benefit that we estimate to be five years. We determine the period of benefit by taking into consideration the period from initial contract through renewal, which constitutes the length of our customer relationship or customer life. Amortization of costs capitalized related to new revenue contracts is included as a component of sales and marketing expense in our operating results.

Results of Operations

The following table sets forth certain items reflected in our condensed consolidated statements of operations expressed as a percentage of total revenue for the periods indicated:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Revenue:				
SaaS	93 %	91 %	92 %	92 %
Professional services	7 %	9 %	8 %	8 %
Total revenue	100 %	100 %	100 %	100 %
Cost of revenue:				
Cost of SaaS	22 %	20 %	21 %	21 %
Cost of professional services	10 %	11 %	10 %	9 %
Total cost of revenue	32 %	31 %	31 %	30 %
Gross profit	68 %	69 %	69 %	70 %
Operating expenses:				
Research and development	36 %	30 %	35 %	28 %
Sales and marketing	22 %	24 %	23 %	24 %
General and administrative	10 %	11 %	10 %	11 %
Total operating expenses	68 %	65 %	68 %	63 %
Income from operations	0 %	4 %	2 %	7 %

Revenue

We classify our revenue into two categories: SaaS and professional services revenue, with SaaS revenue being a key metric.

The following table presents our SaaS and professional services revenue during the three and nine months ended March 31, 2025 and 2024, respectively:

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
SaaS	$ 19,563	$ 20,324	$ (761)	(4)%	$ 60,230	$ 64,643	$ (4,413)	(7)%
Professional services	1,446	2,026	(580)	(29)%	4,967	5,698	(731)	(13)%
Total revenue	$ 21,009	$ 22,350	$ (1,341)	(6)%	$ 65,197	$ 70,341	$ (5,144)	(7)%

Total revenue for the three months ended March 31, 2025 decreased by $1.3 million, while SaaS revenue decreased by $761,000, compared to the same period in fiscal year 2024. Total revenue for the nine months ended March 31, 2025 decreased by $5.1 million, while SaaS revenue decreased by $4.4 million, compared to the same period in fiscal year 2024.

Our revenue was impacted by foreign exchange rate fluctuation between the U.S. Dollar, Euro, and British Pound. We recalculate our current period results using the comparable prior period exchange rates to exclude the impact of foreign exchange rate fluctuation. Foreign exchange rate fluctuation resulted in a decrease of $33,000 and $226,000 in total revenue during the three months ended March 31, 2025 and 2024, respectively. Foreign exchange rate fluctuation resulted in an increase of $271,000 and an increase of $999,000 for the nine months ended March 31, 2025 and 2024, respectively.

SaaS Revenue

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
SaaS revenue	$ 19,563	$ 20,324	$ (761)	(4)%	$ 60,230	$ 64,643	$ (4,413)	(7)%
Percentage of total revenue	93 %	91 %			92 %	92 %		

SaaS revenue includes revenue from cloud delivery arrangements, term licenses and embedded OEM royalties and associated support. Revenue from SaaS decreased by $761,000 and $4.4 million during the three and nine months ended March 31, 2025, respectively, compared to the same periods in fiscal year 2024. This represented a decrease in SaaS revenue of 4% and 7% for the three and nine months ended March 31, 2025, respectively, compared to the same periods in fiscal year 2024.

SaaS revenue represents 93% and 92% of total revenue for the three and nine months ended March 31, 2025, respectively, compared to 91% and 92% for the same periods in fiscal year 2024.

Excluding a decrease of $32,000 and an increase of $248,000 due to foreign exchange rate fluctuation, SaaS revenue decreased by $729,000 and $4.7 million during the three and nine months ended March 31, 2025, respectively, compared to the same periods in fiscal year 2024.

Professional Services Revenue

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
Professional services revenue	$ 1,446	$ 2,026	$ (580)	(29)%	$ 4,967	$ 5,698	$ (731)	(13)%
Percentage of total revenue	7 %	9 %			8 %	8 %		

Professional services revenue includes consulting, implementation, training, and managed services. Revenue from professional services decreased by $580,000 and $731,000 during the three and nine months ended March 31, 2025, respectively, compared to the same periods in fiscal year 2024.

Excluding a decrease of $1,000 and an increase of $22,000 due to foreign exchange rate fluctuation, professional services revenue decreased by $579,000 and $753,000 during the three and nine months ended March 31, 2025, respectively, compared to the same periods in fiscal year 2024.

Revenue by Geography

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
North America	$ 16,452	$ 17,417	$ (965)	(6)%	$ 50,205	$ 55,242	$ (5,037)	(9)%
Europe, Middle East, & Africa	4,557	4,933	(376)	(8)%	14,992	15,099	(107)	(1)%
Total revenue	$ 21,009	$ 22,350	$ (1,341)	(6)%	$ 65,197	$ 70,341	$ (5,144)	(7)%

Revenue from North America sales decreased by 6% from $17.4 million during the three months ended March 31, 2024 to $16.5 million during the three months ended March 31, 2025, due to decreases of (i) $540,000 in professional services revenue and (ii) $425,000 in SaaS revenue.

Revenue from North America sales decreased by 9% from $55.2 million during the nine months ended March 31, 2024 to $50.2 million during the nine months ended March 31, 2025, due to decreases of (i) $4.2 million in SaaS revenue and (ii) $828,000 in professional services revenue.

Revenue from EMEA sales decreased by 8% from $4.9 million for the three months ended March 31, 2024 to $4.6 million during the three months ended March 31, 2025, due to decreases of (i) $336,000 in SaaS revenue and (ii) $40,000 in professional services revenue.

Revenue from EMEA sales decreased by 1% from $15.1 million for the nine months ended March 31, 2024 to $15.0 million during the nine months ended March 31, 2025, due to a decrease of $205,000 in SaaS revenue; partially offset by an increase of $98,000 in professional services revenue.

Cost of Revenue

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
SaaS	$ 4,594	$ 4,487	$ 107	2 %	$ 13,742	$ 14,643	$ (901)	(6)%
Professional services	2,129	2,371	(242)	(10)%	6,327	6,043	284	5 %
Total cost of revenue	$ 6,723	$ 6,858	$ (135)	(2)%	$ 20,069	$ 20,686	$ (617)	(3)%
Percentage of total revenue	32 %	31 %			31 %	30 %		
Gross margin	68 %	69 %			69 %	70 %		

SaaS

Cost of SaaS revenue consists primarily of expenses related to our cloud services and providing support to our customers. These expenses are comprised of cloud computing costs, personnel-related costs directly associated with cloud operations, and customer support, including salaries, benefits, bonuses and stock-based compensation and allocated overhead.

Cost of SaaS revenue increased by $107,000 during the three months ended March 31, 2025, from the same period in fiscal year 2024. This increase was primarily due to an increase of $658,000 in cloud-computing costs; partially offset by decreases of (i) $460,000 in personnel-related costs and (ii) $67,000 in outside consulting costs.

Cost of SaaS revenue decreased by $901,000 during the nine months ended March 31, 2025, from the same period in fiscal year 2024. This decrease was primarily due to decreases of (i) $854,000 in personnel-related costs and (ii) $199,000 in outside consulting costs; partially offset by an increase of $168,000 in cloud-computing costs.

Excluding a decrease of $24,000 and $16,000 due to foreign exchange rate fluctuation, cost of SaaS revenue increased by $131,000 and decreased by $885,000 during the three and nine months ended March 31, 2025, respectively, from the same periods in fiscal year 2024.

Professional Services

Cost of professional services consists primarily of personnel-related costs directly associated with our professional services and training departments, including salaries, benefits, bonuses, and stock-based compensation and allocated overhead.

Cost of professional services decreased by $242,000 during the three months ended March 31, 2025, from the same period in fiscal year 2024. This decrease was primarily due to decreases of (i) $229,000 in personnel-related costs and (ii) $3,000 in outside consulting costs.

Cost of professional services increased by $284,000 during the nine months ended March 31, 2025, from the same period in fiscal year 2024. This increase was primarily due to increases of (i) $271,000 in personnel-related costs and (ii) $10,000 in outside consulting costs.

Excluding a decrease of $10,000 due to foreign exchange rate fluctuation, cost of professional services revenue decreased by $232,000 during the three months ended March 31, 2025, compared to the same period in fiscal year 2024.

Excluding a decrease of $3,000 due to foreign exchange rate fluctuation, cost of professional services revenue increased by $287,000 during the nine months ended March 31, 2025, compared to the same period in fiscal year 2024.

Operating Expenses

Research and Development

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
Research and development	$ 7,514	$ 6,655	$ 859	13 %	$ 22,643	$ 19,947	$ 2,696	14 %
Percentage of total revenue	36 %	30 %			35 %	28 %		

Research and development expense primarily consists of personnel-related expenses directly associated with our engineering, product management and development, and quality assurance staff. Included in these costs are salaries, benefits, bonuses, and stock-based compensation and allocated overhead. Research and development expense also includes outside consulting services contracted for research and development.

Research and development expense increased by 13% to $7.5 million for the three months ended March 31, 2025, from $6.7 million in the same period in fiscal year 2024. Excluding a decrease of $43,000 due to foreign exchange rate fluctuation, research and development expense increased primarily due to increases of (i) $884,000 in personnel-related costs and (ii) $18,000 in outside consulting costs.

Research and development expense increased by 14% to $22.6 million for the nine months ended March 31, 2025, from $19.9 million in the same period in fiscal year 2024. Excluding a decrease of $26,000 due to foreign exchange rate fluctuation, research and development expense increased primarily due to increases of (i) $2.5 million in personnel-related costs and (ii) $197,000 in outside consulting costs.

Sales and Marketing

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
Sales and marketing	$ 4,704	$ 5,448	$ (744)	(14)%	$ 14,715	$ 16,901	$ (2,186)	(13)%
Percentage of total revenue	22 %	24 %			23 %	24 %		

Sales and marketing expense primarily consists of personnel-related expenses directly associated with our sales, marketing and business development staff. Included in these costs are salaries, benefits, bonuses, and stock-based compensation and allocated overhead. Sales and marketing expenses also include amortization of commissions paid to our sales staff, lead generation activities, advertising, trade show and other promotional costs, and, to a lesser extent, occupancy costs and related overhead.

Sales and marketing expenses decreased by 14% to $4.7 million for the three months ended March 31, 2025, from $5.4 million in the same period in fiscal year 2024. Excluding a decrease of $7,000 due to foreign exchange rate fluctuation, sales and marketing expense decreased primarily due to decreases of (i) $666,000 in personnel-related costs and (ii) $77,000 in lead generation costs; partially offset by an increase of $6,000 in outside consulting costs.

Sales and marketing expenses decreased by 13% to $14.7 million for the nine months ended March 31, 2025, from $16.9 million in the same period in fiscal year 2024. Excluding an increase of $103,000 due to foreign exchange rate fluctuation, sales and marketing expense decreased primarily due to decreases of (i) $2.2 million in personnel-related costs and (ii) $191,000 in lead generation costs; partially offset by an increase of $90,000 in outside consulting costs.

General and Administrative

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
General and administrative	$ 2,041	$ 2,451	$ (410)	(17)%	$ 6,584	$ 8,028	$ (1,444)	(18)%
Percentage of total revenue	10 %	11 %			10 %	11 %		

General and administrative expense primarily consists of personnel-related expenses directly associated with our finance, human resources, administrative and legal personnel. Included in these costs are salaries, benefits, bonuses, and stock-based compensation and allocated overhead. General and administrative expenses also include fees for professional services, provision for credit losses and, to a lesser extent, occupancy costs and related overhead.

General and administrative expenses decreased by 17% to $2.0 million for the three months ended March 31, 2025, from $2.5 million in the same period in fiscal year 2024. Excluding a decrease of $6,000 due to foreign exchange rate fluctuation, general and administrative expense decreased primarily due to decreases of (i) $220,000 in personnel-related costs, (ii) $112,000 in credit loss expense, (iii) $39,000 in outside-consulting costs, (iv) $27,000 in legal related costs, and (v) $7,000 in accounting, audit, and administrative fees; partially offset by an increase of $1,000 in investor relations cost.

General and administrative expenses decreased by 18% to $6.6 million for the nine months ended March 31, 2025, from $8.0 million in the same period in fiscal year 2024. Excluding an increase of $10,000 due to foreign exchange rate fluctuation, general and administrative expense decreased primarily due to decreases of (i) $818,000 in legal related costs, (ii) $342,000 in personnel-related costs, (iii) $194,000 in outside-consulting costs, (iv) $66,000 in accounting, audit, and administrative fees, and (v) $35,000 in credit loss expense; partially offset by an increase of $1,000 in investor relations cost.

Income from Operations

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change		Nine Months Ended March 31, 2025	Nine Months Ended March 31, 2024	Change	
Income from operations	$ 27	$ 938	$ (911)	(97)%	$ 1,186	$ 4,779	$ (3,593)	(75)%
Operating margin	0 %	4 %			2 %	7 %		

Income from operations was $27,000 and $938,000 with an operating margin of 0% and 4% during the three months ended March 31, 2025 and 2024, respectively. This is primarily due to a reduction in gross margin.

Income from operations was $1.2 million and $4.8 million with an operating margin of 2% and 7% during the nine months ended March 31, 2025 and 2024, respectively. This is primarily due to a reduction in gross margin.

Interest Income, Net

Interest income, net primarily consists of interest earned on money market accounts which have decreased rates compared to prior years. Interest income, net was $597,000 and $1.0 million during the three months ended March 31, 2025 and 2024, respectively. Interest income, net was $2.0 million and $2.9 million during the nine months ended March 31, 2025 and 2024, respectively.

Other Income (Expense), Net

Other income (expense), net was an expense of $304,000 and income of $74,000 during the three months ended March 31, 2025 and 2024, respectively. Other income (expense), net was expense of $875,000 and $13,000 during the nine months ended March 31, 2025 and 2024, respectively. Other income (expense), net primarily included foreign exchange rate fluctuations on international trade receivables, net of transactions.

Income Tax Provision

Provision for income taxes consists of state and foreign income taxes. As of March 31, 2025, the Company concluded that a full valuation allowance on its deferred tax assets in the U.S. continued to be appropriate considering cumulative pre-tax losses in recent years and uncertainty with respect to future taxable income. Release of the valuation allowance in the U.S. would result in a benefit to the income tax provision in the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment, as well as prospective earnings in the U.S.

We recorded income tax provision of $254,000 and $951,000 for the three and nine months ended March 31, 2025, respectively. We recorded income tax provision of $521,000 and $1.4 million for the three and nine months ended March 31, 2024, respectively.

Liquidity and Capital Resources

Overview

As of March 31, 2025 and June 30, 2024, our principal sources of liquidity were cash and cash equivalents, restricted cash, and accounts receivable totaling $81.2 million and $101.7 million, respectively. Our cash, cash equivalents and restricted cash were $68.7 million and $70.0 million as of March 31, 2025 and June 30, 2024, respectively.

Based upon our current business plan, we believe that existing capital resources will enable us to maintain current and planned operations for at least the next 12 months. From time to time, however, we may consider opportunities for raising additional capital. We can make no assurances that such opportunities will be available to us on economic terms we consider favorable, if at all. Our expectations as to our future cash flows and our future cash balances are subject to a number of assumptions, including assumptions regarding anticipated increases in our revenue, our ability to retain existing customers and customer purchasing and payment patterns, many of which are beyond our control.

Cash Flows

For the nine months ended March 31, 2025 and 2024, our cash flows were as follows (in thousands):

	Nine Months Ended March 31,	
	2025	2024
Net cash provided by operating activities	$ 9,588	$ 17,574
Net cash used in investing activities	(352)	(149)
Net cash used in financing activities	(11,105)	(7,462)

Cash provided by operating activities mainly consists of net income adjusted for non-cash expense items such as depreciation and amortization, expense associated with stock-based awards, the timing of employee related costs including commissions and bonus payments, and changes in operating assets and liabilities during the year.

Net cash provided by operating activities decreased by $8.0 million during the nine months ended March 31, 2025, from the same period in fiscal year 2024, driven primarily by the change in net income, stock-based compensation expense, and the timing of collections for accounts receivable.

Net cash used in investing activities increased by $203,000 during the nine months ended March 31, 2025, from the same period in fiscal year 2024, driven primarily by activities related to the purchase of equipment for new employees and facility expenditures. Historically, cash used in investing activities has been used to purchase equipment and software to support our business and growth.

Net cash used in financing activities increased by $3.6 million during the nine months ended March 31, 2025, from the same period in fiscal year 2024, driven primarily by funds used for repurchases of our common stock of approximately $12.0 million, offset by proceeds from exercises of employee stock options and our employee stock purchase plan.

Commitments

Our principal commitments consist of obligations under leases for office space. Lease agreements are evaluated to determine whether an arrangement is or contains a lease in accordance with ASC 842, *Leases*. As of March 31, 2025, the future non-cancelable minimum payments under these commitments were approximately $4.9 million.

Off-Balance Sheet Arrangements

As of March 31, 2025, we had no significant off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

New Accounting Pronouncements

See Note 1 “Summary of Business and Significant Accounting Policies” to the condensed consolidated financial statements for our discussion of new accounting pronouncements adopted and those pending.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

We develop products in the U.S. and India and sell these products in the U.S. and internationally. Generally, international sales are made in local currency. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. Identifiable assets denominated in foreign currency as of March 31, 2025 totaled approximately $24.3 million. A 10% increase in the value of the dollar relative to other currencies would decrease the value of these assets by $2.4 million between March 31, 2025 and our next financial reporting period. We do not currently use derivative instruments to hedge against foreign exchange risk. As such, we are exposed to market risk from fluctuations in foreign currency exchange rates, principally from the exchange rate between the U.S. Dollar, on the one hand, and the Euro, British Pound and Indian Rupee, on the other hand. An unfavorable change in the foreign currency exchange rates may cause an adverse effect on our financial position or results of operations.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to interest earned on our cash and cash equivalents. The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. Our investment policy provides for investments in short-term, low-risk, investment-grade debt instruments. These investments are subject to interest rate risk and will decrease in value if market interest rates increase.

We currently do not hedge interest rate exposure, and we do not have any foreign currency or other derivative financial instruments. To date, we have not experienced a loss of principal on any of our investments. Although we currently expect that our ability to access or liquidate these investments as needed to support our business activities will continue, we cannot ensure that this will not change. We believe that, if market interest rates were to change immediately and uniformly by 10% from levels between March 31, 2025 and our next financial reporting period, the impact on the fair value of these securities or our cash flows or income would not be material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2025, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Controls

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any legal proceedings, and are not aware of any pending or threatened legal proceedings against us that we believe could have a material adverse effect on our business, operating results, or financial condition. In the ordinary course of business, we are involved in various legal proceedings and claims related to alleged infringement of third-party patents and other intellectual property rights, commercial, corporate and securities, labor and employment, wage and hour, and other claims. We have been, and may in the future be, put on notice and/or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

We evaluate all claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, settlement or litigation potential and the expected effect on us. Our technologies may be subject to injunction if they are found to infringe the rights of a third-party. In addition, our agreements require us to indemnify our customers for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling on such a claim.

Item 1A. Risk Factors

The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations, cash flows and financial condition.

Risks Related to Our Business and Strategy

Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting.

Factors influencing our business include:

- general economic and business conditions;
- currency exchange rate fluctuations;
- the overall demand for enterprise software and services;
- customer acceptance of cloud-based solutions;
- governmental budgetary constraints or shifts in government spending priorities; and
- general political developments.

The global economic climate continues to influence our business. This includes items such as a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, and extreme volatility in credit, equity and fixed income markets. These macroeconomic developments negatively affected, and could continue to negatively affect, our business, operating results or financial condition which, in turn, could adversely affect our stock price. A general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause current or potential customers to reduce their technology budgets or be unable to fund software or services purchases, which could cause customers to delay, decrease or cancel purchases of our products and services or cause customers to not pay us or to delay paying us for previously purchased products and services.

Our revenue and operating results have fluctuated in the past and are likely to fluctuate in the future, and because we recognize revenue from subscriptions over a period of time, downturns in revenue may not be immediately reflected in our operating results.

Because we recognize revenue when we have satisfied performance obligations to customers in connection with our sales contracts, most of our revenue each quarter results from recognition of deferred revenue related to agreements entered into during previous quarters. Consequently, declines in new or renewed subscription agreements and maintenance agreements that occur in one quarter will largely be felt in future quarters, both because we may be unable to generate sufficient new revenue to offset the decline and because we may be unable to adjust our operating costs and capital expenditures to align with the changes in revenue. In addition, our subscription model makes it more difficult for us to increase our revenue rapidly in any period, because revenue from new customers must be recognized over the applicable subscription term. It is difficult to forecast the expediency of the transition of our license customers to our cloud delivery model. Accordingly, we believe that period-to-period comparisons of our results of operations should not be relied upon as definitive indicators of future performance.

Other factors that may cause our revenue and operating results to fluctuate include:

- timing of customer budget cycles;
- the priority our customers place on our products compared to other business investments;
- size, timing and contract terms of new customer contracts, and unpredictable and often lengthy sales cycles;
- reduced renewals;
- competitive factors, including new product introductions, upgrades and discounted pricing or special payment terms offered by our competitors, as well as strategic actions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- technical difficulties, errors or service interruptions in our solutions that may cause customer dissatisfaction with our solutions;
- consolidation among our customers, which may alter their buying patterns, or business failures that may reduce demand for our solutions;
- operating expenses associated with expansion of our sales force or business, and our product development efforts;
- cost, timing and management efforts related to the introduction of new features to our solutions;
- our ability to obtain, maintain and protect our intellectual property rights and adequately safeguard the information imported to our solutions or otherwise provided to us by our customers; and
- extraordinary expenses such as impairment charges, litigation or other payments related to settlement of disputes.

Any of these developments may adversely affect our revenue, operating results and financial condition. Furthermore, we maintain a provision for credit losses resulting from the inability of our customers to make required payments. In such cases, we may be required to defer revenue recognition on sales to affected customers. In the future, we may have to record additional reserves or write-offs, or defer revenue on sales transactions, which could negatively impact our financial results.

Our SaaS business model is subject to certain risks.

Our business is highly dependent on our ability to continue to expand our SaaS business and cloud operations, including keeping pace with the market transition to SaaS solutions.

If customers choose not to renew, or reduce, their subscriptions, our operating results and financial results will suffer.

The deferral or loss of one or more significant orders can also materially adversely affect our operating results, especially in a given quarter. As with other software-focused companies, a large amount of our quarterly business tends to come in the last few weeks, or even the last few days, of each quarter. This trend complicates the process of accurately predicting revenue and other operating results, particularly on a quarterly basis. In addition, our business is subject to seasonal factors that may also cause our results to fluctuate from quarter to quarter.

We cannot accurately predict subscription renewal rates and the impact these rates may have on our future revenue and operating results.

We allow our customers to elect not to renew their subscriptions for our service after the expiration of their initial subscription period, which is typically 12 to 36 months, and some customers have elected not to renew. In addition, our customers may choose to renew for fewer subscriptions (in quantity or products) or renew for shorter contract lengths. We cannot accurately predict renewal rates given our varied customer base of enterprise and small and medium size business customers and the number of multiyear subscription contracts. Our renewal rates may decline or fluctuate as a result of a number of factors, including customer dissatisfaction with our service, decreases in customers' spending levels, decreases in the number of users at our customers, pricing changes and general economic conditions. If our customers do not renew their subscriptions for our service or reduce the number of paying subscriptions at the time of renewal, our revenue will decline, and our business will suffer.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our service to our current customers. This may also require increasingly sophisticated and costly sales efforts that are targeted at senior management. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and our customers' reactions to price changes related to these additional features and services. If our efforts to upsell to our customers are not successful and negative reaction occurs, our business may suffer.

Our lengthy sales cycles and the difficulty in predicting timing of sales or delays may impair our operating results.

The long sales cycle for our products may cause license and SaaS revenue and operating results to vary significantly from period to period. The sales cycle for our products can be six months or more and varies substantially from customer to customer. Because we sell complex and deeply integrated solutions, it can take many months of customer education to secure sales. Since our potential customers may evaluate our products before, if ever, executing definitive agreements, we may incur substantial expenses and spend significant management and legal effort in connection with a potential customer.

Our multi-product offering and the increasingly complex needs of our customers contribute to a longer and unpredictable sales cycle. Consequently, we often face difficulty predicting the quarter in which expected sales will actually occur. This contributes to the uncertainty and fluctuations in our future operating results. In particular, the corporate decision-making and approval process of our customers and potential customers has become more complicated. This has caused our average sales cycle to further increase and, in some cases, has prevented the closure of sales that we believed were likely to close.

Because we depend on a relatively small number of customers for a substantial portion of our revenue, the loss of any of these customers or our failure to attract new significant customers could adversely impact our revenue and harm our business.

We have in the past and expect in the future to derive a substantial portion of our revenue from sales to a relatively small number of customers. The composition of these customers has varied in the past, and we expect that it will continue to vary over time. The loss of any significant customer or a decline in business with any significant customer would materially and adversely affect our financial condition and results of operations.

The market for customer engagement software, including generative AI product offerings, is competitive, and our business will be adversely affected if we are unable to successfully compete.

The market for customer engagement software is intensely competitive. Other than product innovation and existing customer relationships, there are no substantial barriers to entry in this market, and established or new entities may enter this market in the future. While software internally developed by enterprises represents indirect competition, we also compete directly with packaged application software vendors, including Genesys Telecommunications Laboratories, Inc., LivePerson, Inc., NICE Ltd., and Verint Systems Inc. In addition, we face actual or potential competition from larger software companies such as Microsoft Corporation, Oracle Corporation, salesforce.com Inc., ServiceNow, Inc., and similar companies that may attempt to sell customer engagement software to their installed base.

We believe that competition will continue to be fierce as current competitors increase the sophistication of their offerings and as new participants enter the market. Many of our current and potential competitors have longer operating histories, larger customer bases, broader brand recognition, and significantly greater financial, marketing and other resources. With more established and better-financed competitors, these companies may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, and make more attractive offers to businesses to induce them to use their products or services. If we are unable to compete successfully, our business will be adversely affected.

We are also investing in AI across the entire company and infusing generative AI capabilities into our product and service offerings. We expect AI technology and services to be a highly competitive and rapidly evolving market. We will bear significant development and operational costs to build and support the generative AI capabilities, products, and services necessary to meet the needs of our customers. To compete effectively, we must also be responsive to technological change, potential regulatory developments, and public scrutiny. Such competitive pressure may cause decreased sales volumes, price reductions, and/or increased operating costs, such as for research and development, marketing, and sales activities. This may lead to lower revenue, gross margins, and operating income. In addition, customers are currently assessing their AI utilization strategy, so it is difficult to estimate with any reasonable degree of precision the impact of generative AI product offerings on our future revenue or expected demand for our products.

If we fail to expand and improve our sales performance and marketing activities, or retain our sales and marketing personnel, we may be unable to grow our business, which could negatively impact our operating results and financial condition.

Expansion and growth of our business is dependent on our ability to expand our sales force and on the ability of our sales force to increase sales. If we are not able to effectively develop and maintain awareness of our products in a cost-effective manner, we may not achieve widespread acceptance of our existing and future products. This may result in a failure to expand and attract new customers and enhance relationships with existing customers. This may impede our efforts to improve operations in our other areas and may result in declines in the market price of our common stock.

Due to the complexity of our customer engagement hub platform and related products and services, we must utilize highly trained sales personnel to educate prospective customers regarding the use and benefits of our products and services as well as provide effective customer support. If we have turnover in our sales and marketing teams, we may not be able to successfully compete with our competitors, and our results of operations and financial condition may be harmed.

Our failure to maintain, develop or expand strategic and third-party distribution channels would impede our revenue growth.

Our success and future growth depend in part upon the skills, experience, performance and continued service of our distribution partners, including software and hardware vendors and resellers. Our distribution partners engage with us in a number of ways, including assisting us to identify prospective customers, distributing our products and services in geographies where we do not have a physical presence and distributing our products and services where they are considered complementary to other products of the partner or third-party products distributed by the partner. We believe that our future success depends in part upon our ability to develop, maintain and expand strategic, long-term and profitable partnerships and reseller relationships. If we are unable to do so for any reason, including as a result of any change in the leadership of our distribution partners, or if any existing or future distribution partners fail to successfully market, resell, implement or support our products for their customers, or if distribution partners represent multiple providers and devote greater resources to market, resell, implement and support competing products and services, our future revenue growth could be impeded.

We sometimes rely on distribution partners to recommend our products to their customers. We likewise depend on broad market acceptance by these distribution partners of our product and service offerings. Our agreements generally do not prohibit competitive offerings and our distribution partners may develop market or recommend software applications that compete with our products. To the extent we devote resources to these relationships and the partnerships do not proceed as anticipated or provide revenue or other results as anticipated, our business may be harmed. Once partnerships are forged, there can be no guarantee that such relationships will be renewed in the future or available on acceptable terms. If we lose strategic third-party relationships, fail to renew or develop new relationships, or fail to fully exploit revenue opportunities within such relationships, our results of operations and future growth may suffer.

Difficulties and delays in customers implementing our products could harm our revenue and margins.

We generally recognize revenue upon the transfer of control of promised services to our customers in the amount that is commensurate with the consideration that we expect to receive in exchange for those services. If an arrangement requires significant customization or implementation services from us, recognition of the associated subscription and service revenue could be delayed. The timing of the commencement and completion of these services is subject to factors that may be beyond our control, as this process may require access to the customers' facilities and coordination with the customer's personnel after delivery of the software obligations. In addition, customers could cancel or delay product implementations. Implementation typically involves working with sophisticated software, computing and communications systems. If we experience difficulties with implementation or do not meet project milestones in a timely manner, we could be obligated to devote more customer support, engineering and other resources to a particular project. Some customers may also require us to develop customized features or capabilities. If new or existing customers cancel or have difficulty deploying our products or require significant amounts of our professional services, support, or customized features, revenue recognition could be cancelled or further delayed and our costs could increase, causing increased variability in our operating results.

Implementation services may be performed by our own staff, by a third-party partner or by a combination of the two. Our strategy is to work with partners to increase the breadth of capability and depth of capacity for delivery of these services to our customers, and we expect the number of our partner-led implementations to continue to increase over time. If a customer is not satisfied with the quality of work performed by us or a partner or with the type of professional services or functionality delivered, even if we are not contractually responsible for the partner services, then we could incur additional costs to address the situation, the profitability of that work might be impaired and the customer's dissatisfaction with our or our partner's services could damage our ability to expand the scope of functionality subscribed to by that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

We conduct a significant portion of our business and operations outside of the U.S., which exposes us to additional risks that may not exist in the U.S. These risks in turn could cause our operating results and financial condition to suffer.

Revenue from EMEA sales remained consistent at 22% of our total revenue during the three months ended March 31, 2025 and 2024. Revenue from EMEA sales was 23% during the nine months ended March 31, 2025 of our total revenue compared to 21% during the nine months ended March 31, 2024. In addition to those discussed elsewhere in this section, our EMEA sales operations are subject to a number of specific risks, such as:

- general economic conditions in each country or region in which we do or plan to do business;
- foreign currency fluctuations and imposition of exchange controls;
- changes in data privacy laws including European Union's General Data Protection Regulation (GDPR);
- difficulty and costs in staffing and managing our international operations;
- difficulties in collecting accounts receivable and longer collection periods;
- health or similar issues, such as a pandemic or epidemic;
- various international trade restrictions and tax consequences;
- hostilities in various parts of the world, such as the conflict between Russia and Ukraine and the evolving events in Israel and Gaza; and
- reduced intellectual property protections in some countries.

Any of the above risks could adversely affect our international operations, reduce our revenue from customers outside of the U.S. or increase our operating costs, each of which could adversely affect our business, results of operations, financial condition, and growth prospects.

As of March 31, 2025, approximately 43% of our workforce was employed in India. Of our employees in India, 49% are allocated to research and development. Although the movement of certain operations internationally was principally motivated by cost cutting, the continued management of these remote operations requires significant management attention and financial resources that could adversely affect our operating performance. In addition, with the significant increase in the numbers of foreign businesses that have established operations in India, the competition to attract and retain employees there has increased significantly. As a result of the increased competition for skilled workers, we experienced increased compensation costs and expect these costs to increase in the future. Our reliance on our workforce in India makes us particularly susceptible to disruptions in the business environment in that region. In particular, sophisticated telecommunications links, high-speed data communications with other eGain offices and customers, and overall consistency and stability of our business infrastructure are vital to our day-to-day operations, and any impairment of such infrastructure will cause our financial condition and results to suffer. In addition, the maintenance of stable political relations between the U.S., the European Union (EU) and India are also of great importance to our operations.

Any of these risks could have a significant impact on our product development, customer support, or professional services. To the extent the benefit of maintaining these operations abroad does not exceed the expense of establishing and maintaining such activities, our operating results and financial condition will suffer.

Unplanned system interruptions, delays in service or inability to increase capacity, including internationally, at our third-party data center facilities could impair the use or functionality of our cloud operations and harm our business.

Our customers have in the past experienced some interruptions with our cloud operations. We believe that these interruptions will continue to occur from time to time. These interruptions could be due to hardware and operating system failures. As a result, our business will suffer if we experience frequent or long system interruptions that result in the unavailability or reduced performance of our hosted operations or reduce our ability to provide remote management services. We expect to experience occasional temporary capacity constraints due to sharply increased traffic or other Internet-wide disruptions, which may cause unanticipated system disruptions, slower response times, impaired quality, and degradation in levels of customer service. If this were to continue to happen, our business and reputation could be seriously harmed.

Our success largely depends on the efficient and uninterrupted operation of our computer and communications hardware and network systems. We currently serve our customers from third-party data center facilities operated by third parties in the U.S. and other international locations. Any damage to, or failure of, our systems generally could interrupt service or impair the use or functionality of our cloud operations. In addition, as we continue to increase the number of customers and users on our cloud operations, we will need to increase the capacity of our data center infrastructure. If we do not increase our capacity in a timely manner, customers could experience interruptions or delays in access to our cloud operations. Customer data that we store in third-party data centers may also be vulnerable to damage or interruption from floods, fires, earthquake, power loss, telecommunications failures and similar events. Any damage to, or failure of, our systems, or those of our third-party data centers, could result in impairment of or interruptions in our service. Impairment or interruptions in our service may reduce our revenue, cause us to issue credits, or pay penalties, or cause customers to terminate their subscriptions and adversely affect our renewal rate and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our cloud operations are unreliable.

We maintain a business continuity plan for our customers in the event of an outage. We maintain other co-locations for the purpose of disaster recovery as well as maintaining backups of our customer's information. We provide premium disaster recovery and standard disaster recovery to our customers. If a customer opts not to pay for premium disaster recovery, we will only assure that their data is available within 72 hours. This delay could cause severe disruptions to our customers' customers and may result in customer termination of our solutions. Our premium disaster recovery service provides for an alternative data center and a return to operations within one business day.

We have entered into support obligations with our customers that require minimum performance standards, including standards regarding the response time of our support services. If we fail to meet these standards, our customers could terminate their relationships with us, and we could be subject to contractual refunds, and exposure to claims for losses by customers.

Software errors could be costly and time-consuming for us to correct, and could harm our reputation and impair our ability to sell our solutions.

Our solutions are based on complex software that may contain errors, or "bugs," that could be costly to correct, harm our reputation and impair our ability to sell our solutions to new customers. Moreover, customers relying on our solutions may be more sensitive to such errors, and potential security vulnerabilities and business interruptions for these applications. If we incur substantial costs to correct any errors of this nature, our operating margins could be adversely affected. Because our customers depend on our solutions for critical business functions, any service interruptions could result in lost or delayed market acceptance and lost sales, higher service-level credits and warranty costs, diversion of development resources and product liability suits.

The terms we agree to in our Service Level Agreements or other contracts may result in increased costs or liabilities, which would in turn affect our results of operations.

Our Service Level Agreements provide for service credits for system unavailability, and in some cases, indemnities for loss, damage or costs resulting from use of our system. If we were required to provide any of these in a material way, our results of operations would suffer.

If we are unable to increase the profitability of SaaS revenue, if we experience significant customer attrition, or if we are required to delay recognition of revenue, our operating results could be adversely affected.

We have invested, and expect to continue to invest, substantial resources to expand, market, implement and refine our cloud offerings. If we are unable to increase the volume of our subscription business, we may not be able to achieve sustained profitability.

Factors that could harm our ability to improve our gross margins, which may affect our operating profitability, include:

- increased costs to license and maintain third-party software embedded in our software applications or the cost to create or substitute such third-party software if it can no longer be licensed on commercially reasonable terms;
- our inability to maintain or increase the prices customers pay for our products and services based on competitive pricing pressures and general economic conditions limiting customer demand;
- increased cost of third-party services providers, including data centers for our cloud operations and professional services contractors performing implementation and technical support services to cloud customers;
- customer contractual requirements that delay revenue recognition until customer implementations commence production operations or customer-specific requirements are met;
- significant attrition as customers decide for their own economic or other reasons to not renew their subscription contracts when they are up for renewal negatively impacting the efficiency of our data centers and leading to the costs being spread over fewer customers negatively impacting gross margin; and
- the inability to implement, or delays in implementing, technology-based efficiencies and efforts to streamline and consolidate processes to reduce operating costs.

We depend on broad market acceptance of our applications and of our business model. If our expectations regarding the market for our applications are not met, our business could be seriously harmed.

We depend on the widespread acceptance and use of our applications as an effective solution for businesses seeking to manage high volumes of customer interactions across multiple channels, including Web, phone, email, print and in-person. While we believe the potential to be very large, we cannot accurately estimate the size or growth rate of the potential market for such product and service offerings generally, and we do not know whether our products and services in particular will achieve broad market acceptance. The market for customer engagement software is rapidly evolving, and concerns over the security and reliability of online transactions, the privacy of users and quality of service or other issues may inhibit the growth of the Internet and commercial online services. If the market for our applications fails to grow or grows more slowly than we currently anticipate, our business will be seriously harmed.

Furthermore, our business model is premised on business assumptions that are still evolving. Our business model assumes that both customers and companies will increasingly elect to communicate through multiple channels, as well as demand integration of the online channels into the traditional telephone-based call center. If any of these assumptions are incorrect or if customers and companies do not adopt digital technology in a timely manner, our business will be seriously harmed and our stock price will decline.

We may be unable to respond to the rapid technological change and changing customer preferences in the online sales, marketing, customer service, and/or online consumer services industries and this may cause our business to suffer.

If we are unable, for technological, legal, financial or other reasons, to adapt in a timely manner to changing market conditions in the online sales, marketing, customer service and/or e-commerce industry or our customers' or Internet users' requirements or preferences, our business, results of operations and financial condition would be materially and adversely affected. Business on the Internet is characterized by rapid technological change. In addition, the market for online sales, marketing, customer service and expert advice solutions is relatively new. Changes in customer and Internet user requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices such as but not limited to security standards could render our services and our proprietary technology and systems obsolete. The rapid evolution of these products and services will require that we continually improve the performance, features and reliability of our services. Our success will depend, in part, on our ability to:

- enhance the features and performance of our services;
- develop and offer new services that are valuable to companies; and
- respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner.

If any of our new services, including upgrades to our current services, do not meet our customers' expectations, our business may be harmed. Updating our technology may require significant additional capital expenditures and could materially and adversely affect our business, results of operations and financial condition.

If new services require us to grow rapidly, this could place a significant strain on our managerial, operational, technical and financial resources. In order to manage our growth, we could be required to implement new or upgraded operating and financial systems, procedures and controls. Our failure to expand our operations in an efficient manner could cause our expenses to grow, our revenue to decline or grow more slowly than expected and could otherwise have a material adverse effect on our business, results of operations and financial condition.

We employ third-party technologies for use in or with our platform and the inability to license such technologies on commercially reasonable terms or the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which could adversely affect our business.

Our platform incorporates certain third-party software obtained under licenses from other companies, and we use third-party software development tools as we continue to develop and enhance our platform. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace such software. In addition, integration of the software used in our platform with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our platform depends upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our platform, delay new feature introductions, result in a failure of our functionality, and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties. To the extent we need to license third-party technologies, we may be unable to do so on commercially reasonable terms or at all.

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. In the event that we are not able to maintain our licenses to third-party software, or cannot obtain licenses to new software as needed, or in the event third-party software used in conjunction with our platform contains errors or defects, our business, operating results, and financial condition may be adversely affected.

Our offshore product development, support and professional services may prove difficult to manage or may not allow us to realize our cost reduction goals, produce effective new solutions and provide professional services to drive growth.

We use offshore resources to perform new product and services development and provide support and professional consulting efforts, which requires detailed technical and logistical coordination. We must ensure that our international resources and personnel are aware of and understand development specifications and customer support, as well as implementation and configuration requirements and that they can meet applicable timelines. If we are unable to maintain acceptable standards of quality in support, product development and professional services, our attempts to reduce costs and drive growth through new products and margin improvements in technical support and professional services may be negatively impacted, which would adversely affect our results of operations. Outsourcing services to offshore providers may expose us to misappropriation of our intellectual property or that of our customers, or make it more difficult to defend intellectual property rights in our technology.

If we are unable to hire and retain key personnel, our business and results of operations would be negatively affected.

Our success will depend in large part on the skills, experience and performance of our senior management, engineering, sales, marketing and other key personnel. The loss of the services of any of our senior management or other key personnel, including our Chief Executive Officer and co-founder, Ashutosh Roy, could harm our business. Additionally, in the technology industry, there is substantial and continuous competition for highly skilled business, product development, technical and other personnel. We may also experience increased compensation costs that are not offset by either improved productivity or higher sales. Our failure to recruit new personnel and to retain and motivate existing personnel could have significant negative effects on us, including impairing our ability to expand our business, and our results of operations could suffer.

We may not be able to realize the benefits of offering the limited, free "Innovation in 30 Days" version of our service.

We offer a limited version of our subscription service to customers or potential customers free of charge (known as "Innovation in 30 Days") in order to promote usage, brand and product awareness, and adoption, and we invest time and resources for such initial engagements without compensation from the customers. Some customers never enter into a definitive contract for our paid subscription service despite the time and effort we may have expended on such initiatives. To the extent that these customers do not become paying customers, we will not realize the intended benefits of this marketing effort, and our ability to grow our business and revenue may be harmed.

We may not be able to raise additional capital on acceptable terms, if at all, or without dilution to our stockholders which could limit our ability to grow our business and expand our operations.

Our working capital requirements in the foreseeable future are subject to numerous risks and will depend on a variety of factors. We may seek additional funding to finance our operations or should we make acquisitions. We may also need to secure additional financing due to unforeseen or unanticipated market conditions. We may try to raise additional funds through public or private financings, strategic relationships, or other arrangements. Such financing may be difficult to obtain on terms acceptable to us, if at all. If we raise additional funds through the issuance of equity or convertible securities, then the issuance could result in substantial dilution to existing stockholders. If we raise additional funds through the issuance of debt securities or preferred stock, these new securities would have rights, preferences, and privileges senior to those of the holders of our common stock. In addition, the terms of these securities could impose restrictions on our operations. If we are not able to raise additional funds on terms acceptable to us, if and when needed, our ability to fund our operations, take advantage of opportunities, and develop or expand our business could be significantly limited.

Our provision may be insufficient to cover accounts receivable we are unable to collect.

We assume a certain level of credit risk with our customers in order to do business. Conditions affecting any of our customers could cause them to become unable or unwilling to pay us in a timely manner, or at all, for products or services we have already provided them. In the past, we have experienced collection delays from certain customers, and we cannot predict whether we will continue to experience similar or more severe delays in the future. Although we have established a provision to cover losses due to delays or inability to pay, there can be no assurance that such reserves will be sufficient to cover our losses. If losses due to delays or inability to pay are greater than our reserves, it could harm our business, operating results and financial condition.

If we acquire companies or technologies, we may not realize the expected business benefits, the acquisitions could prove difficult to integrate, disrupt our business and adversely affect our operations.

As part of our business strategy, we periodically make investments in, or acquisitions of, complementary businesses, joint ventures, services and technologies and intellectual property rights, and we expect that we will continue to make such investments and acquisitions in the future. Acquisitions and investments involve numerous risks, including:

- the potential failure to achieve the expected benefits of the combination or acquisition;
- difficulties in and the cost of integrating operations, technologies, services and personnel;
- diversion of financial and managerial resources from existing operations;
- risks of entering new markets in which we have little or no experience or where competitors may have stronger market positions;
- potential write-offs of acquired assets or investments, and potential financial and credit risks associated with acquired customers;
- potential loss of key employees;
- inability to generate sufficient revenue to offset acquisition or investment costs;
- the inability to maintain relationships with customers and partners of the acquired business;
- the difficulty of transitioning the acquired technology onto our existing platforms and maintaining the security standards consistent with our other services for such technology;
- potential unknown liabilities associated with the acquired businesses;
- unanticipated expenses related to acquired technology and its integration into existing technology;
- negative impact to our results of operations because of the depreciation and amortization of amounts related to acquired intangible assets, fixed assets and deferred compensation, and the loss of acquired deferred revenue and unbilled deferred revenue;
- delays in customer purchases due to uncertainty related to any acquisition;
- the need to implement controls, procedures and policies at the acquired company;
- challenges caused by distance, language and cultural differences;
- in the case of foreign acquisitions, the challenges associated with integrating operations across different cultures and languages and any currency and regulatory risks associated with specific countries; and
- the tax effects of any such acquisitions.

We may be subject to legal liability and/or negative publicity for the services provided to consumers through our technology platforms.

Our technology platforms enable representatives of our customers as well as individual service providers to communicate with consumers and other persons seeking information or advice on the Internet. The law relating to the liability of online platform providers such as us for the activities of users of their online platforms is often challenged in the U.S. and internationally. We may be unable to prevent users of our technology platforms from providing negligent, unlawful or inappropriate advice, information or content through our technology platforms, or from behaving in an unlawful manner, and we may be subject to allegations of civil or criminal liability for negligent, fraudulent, unlawful or inappropriate activities carried out by users of our technology platforms.

Claims could be made against online services companies under both U.S. and foreign law such as fraud, defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated by users of our technology platforms. In addition, domestic and foreign legislation has been proposed that could prohibit or impose liability for the transmission over the Internet of certain types of information. Our defense of any of these actions could be costly and involve significant time and attention of our management and other resources.

The Digital Millennium Copyright Act (DMCA) is intended, among other things, to reduce the liability of online service providers for listing or linking to third-party web properties that include materials that infringe copyrights or rights of others. Additionally, portions of the Communications Decency Act (CDA) are intended to provide statutory protections to online service providers who distribute third-party content. A safe harbor for copyright infringement is also available under the DMCA to certain online service providers that provide specific services, if the providers take certain affirmative steps as set forth in the DMCA. Certain questions regarding the safe harbor under the DMCA and the CDA have yet to be litigated, and we cannot guarantee that we will meet the safe harbor requirements of the DMCA or of the CDA. If we are not covered by a safe harbor, for any reason, we could be exposed to claims, which could be costly and time-consuming to defend.

If our cybersecurity systems or the systems of our vendors, partners and suppliers are breached and unauthorized access is obtained to a customer's data or our data or IT systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.

Security incidents have become more prevalent across industries and the methods and techniques used by threat actors continue to evolve at a rapid pace. These cyberattacks may occur on our systems and we may be unable to identify current attacks, anticipate these attacks or implement adequate security measures. Our service involves the storage and transmission of customers' proprietary information, and security incidents could expose us to a risk of loss of this information, loss of access, litigation and possible liability. The techniques used to effect unauthorized penetration of computer systems are constantly evolving and have been increasing in sophistication. While we have security measures in place that are designed to protect customer information and prevent data loss and other security breaches, these security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers (which may involve nation states and individuals sponsored by them), employee error, malfeasance or otherwise and result in someone obtaining unauthorized access to our customers' data or our data, including our intellectual property and other confidential business information, or our IT systems. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information in order to gain access to our customers' data or our data or IT systems.

Employees or contractors have introduced vulnerabilities in, and enabled the exploitation of, our IT environments in the past and may do so in the future. These cybersecurity attacks threaten to misappropriate our proprietary information, cause interruptions of our IT services and commit fraud. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Further, if unauthorized access or sabotage remains undetected for an extended period of time, the effects of such breach could be exacerbated. In addition, our ability to defend against and mitigate cyberattacks depends in part on prioritization decisions that we and third parties upon whom we rely on to address vulnerabilities and security defects. While we endeavor to address all identified vulnerabilities in our products, we must make determinations as to how we prioritize developing and deploying the respective fixes, and we may be unable to do so prior to an attack.

In addition, our customers may authorize third-party access to their customer data located in our cloud environment. Because we do not control the transmissions between customer authorized third parties, or the processing of such data by customer authorized third parties, we cannot ensure the integrity or security of such transmissions or processing.

Cybersecurity attacks could require significant expenditures of our capital and diversion of our resources. If these attacks are successful, they could result in the theft of proprietary, personally identifiable, confidential and sensitive information of ours, our employees, our customers and our business partners, and could materially disrupt business for us, our customers and our business partners. A successful cybersecurity attack involving our data center, network or software products could also negatively impact the market perception of the effectiveness of our products or lead to contractual disputes, litigation or government regulatory action against us, any of which could materially adversely affect our business, reputation and resulting operations.

We may also experience disruptions, outages, and other performance problems on our systems due to service attacks, unauthorized access, or other security-related incidents. For example, third parties may conduct attacks designed to temporarily deny customers access to our services. Any successful denial of service attack could result in a loss of customer confidence in the security of our platform and damage to our brand.

Our platform involves the storage and transmission of our customers' information, which may include their business and financial data. As a result, unauthorized access to customer data or security breaches could result in the loss, or unauthorized dissemination, of such data, which could seriously harm our or our customers' businesses and reputations. Any of these security incidents could negatively affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines, or other action or liability, which could adversely affect our operating results. Any insurance coverage we may have related to security and privacy damages may not be adequate for liabilities actually incurred and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all. These risks are likely to increase as we continue to grow the scale and functionality of our platform and process, store, and transmit increasingly large amounts of our customers' information and data, which may include proprietary or confidential data or personal or identifying information.

Changes in the European regulatory environment regarding privacy and data protection regulations, such as the GDPR, could expose us to risks of noncompliance and costs associated with compliance.

We have in the past relied on adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles, the U.S.- EU and U.S.-Swiss Safe Harbor Frameworks, and their successors, the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks, as agreed to and set forth by the U.S. Department of Commerce, and the EU and Switzerland, which established a means for legitimating the transfer of personally identifiable information (PII) by U.S. companies doing business in Europe from the European Economic Area (EEA) and Switzerland to the U.S. However, as a result of the October 6, 2015 EU Court of Justice (ECJ), opinion in Case C-362/14 (Schrems v. Data Protection Commissioner) regarding the adequacy of the U.S.-EU Safe Harbor Framework, and the July 16, 2020 ECJ judgment in Case C-311/18 (Data Protection Commissioner v Facebook Ireland Limited and Maximillian Schrems) regarding the adequacy of the Privacy Shield Framework, both frameworks are no longer deemed to constitute a valid method of compliance with restrictions set forth in European law regarding the transfer of data outside of the EEA. The EJC also noted that standard contractual clauses (approved by the European Commission as an adequate personal data transfer mechanism) may not necessarily be relied upon in all circumstances. In addition to other mechanisms, in limited circumstances we may rely on Privacy Shield certifications of third parties (for example, vendors and partners). The European Commission and the United Kingdom's Information Commissioner's Office have published new standard contractual clauses that are required to be implemented. Following issuance of a U.S. Executive Order, a new framework, the EU-U.S. Data Privacy Framework (EU-U.S. DPF) was created as a successor to the Privacy Shield. Following an adequacy decision issued by the European Commission on July 10, 2023, the DPF, along with a UK extension to the EU-U.S. DPF that allows the transfer of personal data from the UK to the U.S. (UK DPF Extension), is available for companies as a lawful transfer mechanism for personal data transfers to the U.S. from the EEA and UK. The Swiss-U.S. Data Privacy Framework (Swiss-U.S. DPF) also has been established, but has not yet been granted an adequacy decision by the Swiss Federal Data Protection and Information Commissioner. We have self-certified to the EU-U.S. DPF, the UK DPF Extension, and the Swiss-U.S. DPF. The EU-U.S. DPF already has been the subject of legal challenge, however, and more generally, these frameworks may be subject to legal challenges from privacy advocacy groups or others. Additionally, the European Commission's adequacy decision regarding the DPF provides that the DPF will be subject to future reviews and may be subject to suspension, amendment, repeal, or limitations in scope by the European Commission. These developments regarding cross-border data transfers have created uncertainty and increased the risk around our international operations and may require us to review and amend the legal mechanisms by which we make or receive personal data transfers to the U.S. and other jurisdictions. We may, among other things, be required to implement additional contractual and technical safeguards for any personal data transferred out of the EEA, Switzerland, the United Kingdom or other regions which may increase compliance costs, lead to increased regulatory scrutiny or liability, may require additional contractual negotiations, and may adversely impact our business, financial condition and operating results.

We may also experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our services due to the potential risk exposure to such customers as a result of the international legal developments. We and our customers are at risk of enforcement actions taken by an EU or UK data protection authority until such point in time that we ensure that all data transfers to us from the EEA and UK are legitimized. We may find it necessary to establish systems to maintain EU/UK-origin data in the EEA or UK, which may involve substantial expense and distraction from other aspects of our business.

We publicly post our privacy policies and practices concerning our processing, use and disclosure of PII. Our publication of our privacy policy and other public statements that provide promises and assurances about privacy and security can subject us to potential governmental action if they are found to be deceptive or misrepresentative of our practices. Further, the costs of compliance with, and other burdens imposed by, such laws, regulations and policies that are applicable to us may limit the use and adoption of our products and solutions and could have a material adverse impact on our results of operations.

Privacy concerns and laws, evolving regulation of cloud computing and other domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business.

Further to the above, regulation related to the provision of services on the Internet is increasing, as federal, state and foreign governments continue to adopt new laws and regulations addressing data privacy and the collection, processing, storage and use of personal information. Further, laws are increasingly aimed at the use of personal information for marketing purposes, such as the EU's e-Privacy Directive (which is set to be replaced by a new EU e-Privacy Regulation which will have a "direct effect" in each EU Member State), and the country-specific regulations that implement that directive. These and other requirements could reduce demand for our solutions or restrict our ability to store and process data or, in some cases, impact our ability to offer our services and solutions in certain locations. Although we have implemented contracts, diligence programs, policies and procedures designed to address compliance with applicable laws and regulations, there can be no assurance that our employees, contractors, partners, suppliers, data providers or agents will not violate such laws and regulations or our contracts, policies and procedures. Additionally, public perception and standards related to the privacy of personal information can shift rapidly, in ways that may affect our reputation or influence regulators to enact regulations and laws that may limit our ability to provide certain products and services. For example, numerous jurisdictions, including the EU, are considering laws and regulations that would impose additional data privacy and other compliance requirements on the use of AI and could require us to adjust or limit our product offerings in such jurisdictions.

In the U.S., California enacted the California Consumer Privacy Act (CCPA) on June 28, 2018, which went into effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. On November 3, 2020, California passed the California Privacy Rights Act (CPRA), which became effective on January 1, 2023 and amends and expands the CCPA, including the introduction of sensitive personal information as a new regulated dataset in California that is subject to new disclosure and purpose limitation requirements. Additionally, by July 2024, additional states had enacted numerous comprehensive state data privacy laws, requiring businesses to evaluate each law individually for specific compliance requirements and consumer rights, including the following:

- The Virginia Consumer Data Protection Act (VCDPA) became effective on January 1, 2023;
- The Colorado Privacy Act and the Connecticut Data Privacy Act both become effective on July 1, 2023;
- The Utah Consumer Privacy Act became effective on December 31, 2023;
- Florida's Digital Bill of Rights, Oregon's Consumer Privacy Act, and Texas' Data Privacy and Security Act went into effect on July 1, 2024;
- Montana's Consumer Data Privacy Act will come into effect on October 1, 2024;
- Delaware's Personal Data Privacy Act, Iowa's Consumer Data Protection Act, Nebraska's Online Data Privacy Act and New Hampshire's Privacy Act will come into effect on January 1, 2025;
- New Jersey's Privacy Act will come into effect on January 15, 2025;
- Tennessee's Information Protection Act will come into effect on July 1, 2025;
- Minnesota's Consumer Privacy Act will come into effect on July 31, 2025;
- Maryland's Online Data Privacy Act will come into effect on October 1, 2025; and
- Indiana's Consumer Data Protection Act and Kentucky's Consumer Data Protection Act will come into effect on January 1, 2026.

Furthermore, New York enacted the Stop Hacks and Improve Electronic Data Security Act (SHIELD Act), which became effective March 2020 and requires companies with data relating to New Yorkers to adopt comprehensive cybersecurity programs. Aspects of the CCPA, CPRA and other states' privacy laws remain unclear and we may be required to modify our practices further in an effort to comply with them. These statutes may increase our compliance costs and potential liability.

Furthermore, on August 11, 2023, India's Digital Personal Data Protection Bill (DPDP) received presidential assent after passing both houses of India's legislature but there has been no official slated implementation date. DPDP applies to personal data processed within India and personal data outside the territory of India if such processing is in connection with any activity related to offering of goods or services to data subjects. We will continue to monitor developments related to new privacy laws which will require us to incur additional costs and expenses in an effort to monitor and comply with such laws.

In addition to government activity, privacy advocacy and other industry groups have established or may establish new self-regulatory standards that may place additional burdens on us. Our customers expect us to meet voluntary certification or other standards established by third parties, such as TRUSTe. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business.

The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of our service and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance.

Furthermore, concerns regarding data privacy may cause our customers' customers to resist providing the data necessary to allow our customers to use our service effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services, and could limit adoption of our subscription solution. Moreover, as our customers face increased scrutiny for data privacy breaches, they may elect to transfer the risk to us through contractual provisions which may subject us to increasing levels of contractual liability for data privacy breaches.

Issues in the development and use of AI may result in reputational or competitive harm or liability.

We are integrating AI into several of our offerings, developed either by us or in collaboration with our strategic partner, OpenAI. We anticipate significant growth in this area. However, like many innovations, AI comes with risks and challenges that could impact its adoption and our business. Potential issues include flawed algorithms or training methods, inadequate or biased datasets, and harmful or illegal content generated by AI systems. Poor AI development or deployment practices could lead to incidents that hinder AI acceptance, cause harm, or result in our products not functioning as intended. Human oversight may be necessary for certain outputs. These challenges, along with other issues related to innovative technologies, could expose us to competitive harm, regulatory actions, legal liabilities (including under new AI regulations in the EU), and reputational damage. Some AI applications raise ethical concerns or have broad societal impacts. If our AI solutions lead to unintended consequences, misuse, or controversy due to their effects on human rights, privacy, employment, or other social, economic, or political issues, we may face reputational harm, negatively affecting our business and financial performance.

Anti-corruption, anti-bribery, and similar laws, and failure to comply with these laws, could subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the UK 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 or offering improper payments, or other benefits to government officials and others in the private sector. As we increase our international sales and business, our risks under these laws may increase. Noncompliance 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, operating results, and financial condition.

Industry-specific regulation is evolving and unfavorable industry-specific laws, regulations or interpretive positions could limit our ability to provide services and harm our business.

Our customers and potential customers conduct business in a variety of industries, including financial services, the public sector, healthcare and telecommunications. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit customers' use and adoption of our services and reduce overall demand for our services. For example, some financial services regulators have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to outsourcing certain functions. If we are unable to comply with these guidelines or controls, or if our customers are unable to obtain regulatory approval to use our service where required, our business may be harmed. In addition, an inability to satisfy the standards of certain voluntary third-party certification bodies that our customers may expect, such as an attestation of compliance with the PCI Data Security Standards, may have an adverse impact on our business. If we are unable to achieve or maintain these industry-specific certifications or other requirements or standards relevant to our customers, it could adversely affect our ability to provide our services to certain customers and harm our business.

In some cases, industry-specific laws, regulations or interpretive positions may also apply directly to us as a service provider. Any failure or perceived failure by us to comply with such requirements could have an adverse impact on our business.

We face risks related to pandemic and public health emergencies which could have a material adverse effect on our business, financial condition and results of operations.

Pandemics, such as the COVID-19 pandemic, and other public health emergencies, and preventative measures taken to contain or mitigate such crises have caused, and may in the future cause, business slowdown or shutdown in affected areas and significant disruption in the financial markets, both globally and in the U.S. These events have led to and could again lead to adverse impacts to our business, results of operations, financial conditions, and cash flows. We cannot predict whether, and to what degree, our sales, operations and financial results could in the future be affected by the pandemic and preventative measures.

- Risks presented by pandemics and other public health emergencies include, but are not limited to the rate of information technology spending and the ability of our customers to purchase our offerings could be adversely impacted. Further, the impact of a pandemic or public health emergency could delay prospective customers' purchasing decisions and cause them to become less inclined to trade-up from existing solutions, impact customers' pricing expectations for our offerings, lengthen payment terms, reduce the value or duration of their subscription contracts, or adversely impact renewal rates;

- increased cyber incidents during a pandemic or public health emergency and our increased reliance on a remote workforce could increase our exposure to potential cybersecurity breaches and attacks; and/or

- our results of operations are subject to fluctuations in foreign currency exchange rates, which risks may be heightened due to increased volatility of foreign currency exchange rates as a result of a pandemic or public health emergency. Further, our forecasted revenue, operating results and cash flows could vary materially from those we provide as guidance or from those anticipated by investors and analysts if the assumptions on which we base our financial projections are inaccurate as a result of the unpredictability of the impact that a pandemic or public health emergency will have on our businesses, our customers' and partners' businesses and the global markets and economy or we make changes to our licensing programs or payment terms in connection with a pandemic or public health emergency.

We cannot reasonably predict the ultimate impact of any pandemic or public health emergency, including the extent of any adverse impact on our business, results of operations and financial condition, which will depend on, among other things, the duration and spread of the pandemic or public health emergency, the impact of governmental regulations that have been, and may continue to be, imposed in response, the effectiveness of actions taken to contain or mitigate the outbreak, the availability, safety and efficacy of vaccines, including against emerging variants of the infectious disease, and global economic conditions. Additionally, disruptions have in the past made it more challenging to compare our performance, including our revenue growth and overall profitability, across quarters and fiscal years, and could have this effect in the future. To the extent a pandemic or public health emergency adversely affects our business, results of operations, financial conditions, and cash flows, it may also heighten many of the other risks described in this "Risk Factors" section.

Changes to current accounting policies could have a significant effect on our reported financial results or the way in which we conduct our business.

Generally accepted accounting principles and the related accounting pronouncements, implementation guidelines and interpretations for some of our significant accounting policies are highly complex and require subjective judgments and assumptions. Some of our more significant accounting policies that could be affected by changes in the accounting rules and the related implementation guidelines and interpretations include:

- recognition of revenue;
- contingencies and litigation; and
- accounting for income taxes.

Changes in these or other rules, or scrutiny of our current accounting practices, or a determination that our judgments or assumptions in the application of these accounting principles were incorrect, could have a significant adverse effect on our reported operating results or the way in which we conduct our business.

Changes in domestic and foreign trade policies, including the imposition of tariffs and retaliatory tariffs, and other factors beyond our control may adversely impact our business, financial condition, and results of operations.

The U.S. government recently announced changes to its trade policies, including increasing tariffs on imports, in some cases significantly, and potentially negotiating or terminating existing trade agreements. The current tariff environment is dynamic and uncertain, as the U.S. government has announced widespread tariff reform, with the effectiveness delayed in many cases. Changes to tariffs and other trade restrictions can be announced at any time with little or no notice. We cannot predict with certainty the future trade policies of the U.S. or other countries. Additionally, potential tariffs or other U.S. trade policy measures have triggered retaliatory actions by other countries. Increased tariffs and trade restrictions may cause the prices of our customers, vendors, partners and suppliers' products to increase, which could reduce demand for such products, or reduce our customers, vendors, partners and suppliers' margins, and adversely impact their revenues, financial results, and ability to service debt. This, in turn, could adversely impact our financial condition and results of operations. Tariffs or other trade restrictions may lead to continuing uncertainty and volatility in U.S. and global financial markets and economic conditions. Disruptions and volatility in the financial markets may lead to adverse changes in the availability, terms and cost of capital, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Intellectual Property

We have been and may in the future be sued by third parties for various claims including alleged infringement of proprietary rights that can be time-consuming, incur substantial costs and divert the attention of management, which could adversely affect our operations and cash flow.

We are involved in various legal matters arising from the normal course of business activities. These may include claims, suits, and other proceedings involving alleged infringement of third-party patents and other intellectual property rights, and commercial, labor and employment, and other matters.

The software and Internet 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. We have received and may receive in the future communications from third parties claiming that we or our customers have infringed the intellectual property rights of others. In addition, we have been, and may in the future be, sued by third parties for alleged infringement of their claimed proprietary rights. Our technologies and those of our customers may be subject to injunction if they are found to infringe the rights of a third-party or we may be required to pay damages, or both. Many of our agreements require us to indemnify our customers for third-party intellectual property infringement claims, which would increase the cost to us of an adverse ruling on such a claim.

The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, 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 or 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 service to customers, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results. In addition, depending on the nature and timing of any such dispute, a resolution of a legal matter could materially affect our future results of operation or cash flows or both.

We rely on trademark, copyright, trade secret laws, contractual restrictions and patent rights to protect our intellectual property and proprietary rights and, if these rights are impaired, then our ability to generate revenue will be harmed.

If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business might be harmed. In addition, defending our intellectual property rights might entail significant expense. Any of our trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. While we have some U.S. patents and pending U.S. patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our service is available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel.

Our failure or inability to develop non-infringing technology or license proprietary rights on a timely basis would harm our business.

We may be subject to legal proceedings and claims from time to time in the ordinary course of our business, including claims of alleged infringement of the patents and other intellectual property rights of third parties. Our products may infringe on issued patents that may relate to our products because patent applications in the U.S. are not publicly disclosed until the patent is issued, and hence applications may have been filed which relate to our software products. Intellectual property litigation is expensive, time consuming, and could divert management's attention away from running our business. Litigation could also require us to develop non-infringing technology or enter into royalty or license agreements. These royalty or license agreements, if required, may not be available on acceptable terms, if at all, in the event of a successful claim of infringement.

General Risk Factors

Our stock price has demonstrated volatility and continued market conditions may cause declines or fluctuations.

The price at which our common stock trades has been and will likely continue to be highly volatile and show wide fluctuations due to factors such as the following:

- concerns related to liquidity of our stock;
- actual or anticipated fluctuations in our operating results, our ability to meet announced or anticipated profitability goals and changes in or failure to meet securities analysts' expectations;
- announcements of technological innovations and/or the introduction of new services by us or our competitors;
- developments with respect to intellectual property rights and litigation, regulatory scrutiny and new legislation;
- conditions and trends in the Internet and other technology industries; and

- general market and economic conditions.

Furthermore, the stock market has experienced significant price and volume fluctuations that have affected the market prices for the common stock of technology companies, regardless of the specific operating performance of the affected company. These broad market fluctuations may cause the market price of our common stock to decline.

Our insiders who are significant stockholders have the ability to exercise significant control over matters requiring stockholder approval, including the election of our board of directors, and may have interests that conflict with those of other stockholders.

Our directors and executive officers, together with their affiliates and members of their immediate families, beneficially owned, in the aggregate, approximately 35% of our outstanding capital stock as of March 31, 2025, of which our Chief Executive Officer, Ashutosh Roy, beneficially owned approximately 32% as of such date. As a result of these concentrated holdings, Mr. Roy individually or together with this group has the ability to exercise significant control over most matters requiring our stockholders' approval, including the election and removal of directors and the approval of significant corporate transactions, such as a merger or sale of our company or its assets.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On November 14, 2022, our board of directors authorized a stock repurchase program under which we may purchase up to $20.0 million of our outstanding common stock. On May 31, 2024, our board of directors authorized a $20.0 million increase in its stock repurchase program, bringing the aggregate amount we may purchase thereunder from $20.0 million to $40.0 million of its outstanding common stock. As of March 31, 2025, approximately $5.0 million remained available for stock repurchases pursuant to our stock repurchase program.

Under the stock repurchase program, we may purchase shares of common stock on a discretionary basis from time to time through open market transactions or privately negotiated transactions at prices deemed appropriate by us. In addition, at our discretion, open market repurchase of common stock may also be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when we might otherwise be precluded from doing so under insider trading laws or self-imposed trading restrictions.

The timing and number of shares repurchased will be determined based on an evaluation of market conditions and other factors, including stock price, trading volume, general business and market conditions, and the availability of capital. The original stock repurchase program became effective immediately as of November 14, 2022, and was amended on November 14, 2024 to extend the term until the earlier of (i) the date the aggregate amount of shares that can be repurchased under the stock repurchase program have been repurchased and (ii) November 14, 2025, unless further extended. The stock repurchase program does not obligate us to acquire a specified number of shares and may be modified, suspended, or discontinued at any time at our discretion without notice. The stock repurchase program will be funded using existing cash or future cash flows. We intend to reissue repurchased shares at a later date and therefore carry the shares as treasury stock, at cost.

The following table summarizes the stock repurchase activity for the three months ended of March 31, 2025, and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (in thousands)
January 1, 2025 to January 31, 2025	246,114	$ 6.44	246,114	$ 8,391
February 1, 2025 to February 28, 2025	298,781	$ 5.76	298,781	$ 6,669
March 1, 2025 to March 31, 2025	349,725	$ 4.91	349,725	$ 4,952
Total	894,620		894,620	

Item 5. Other Information

(c) Trading Plans

During the three months ended March 31, 2025, none of our directors or Section 16 officers adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibits No.	Description of Exhibits
31.1	Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
31.2	Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 of Ashutosh Roy, Chief Executive Officer.
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 of Eric Smit, Chief Financial Officer.
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of March 31, 2025 and June 30, 2024, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended March 31, 2025 and 2024, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended March 31, 2025 and 2024, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended March 31, 2025 and 2024, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2025 and 2024 and (vi) Notes to Condensed Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act except to the extent that the registrant specifically incorporates it by reference.

SIGNATURE

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

Dated: May 14, 2025	eGain Corporation	
	By	/s/ Eric N. Smit
		Eric N. Smit
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ashutosh Roy, certify that:

1) I have reviewed this quarterly report on Form 10-Q of eGain Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2025

By: /s/ Ashutosh Roy

Ashutosh Roy

Chief Executive Officer

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric N. Smit, certify that:

1) I have reviewed this quarterly report on Form 10-Q of eGain Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2025

By: /s/ Eric N. Smit
Eric N. Smit
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. § 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ashutosh Roy, the Chief Executive Officer of eGain Corporation (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge,

(i) the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2025 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ashutosh Roy
Ashutosh Roy
Chief Executive Officer

May 14, 2025

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. § 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric N. Smit, the Chief Financial Officer of eGain Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge,

(i) the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2025 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Eric N. Smit

Eric N. Smit

Chief Financial Officer

May 14, 2025