Castle Intermediate Holding V Limited and its Subsidiaries

Consolidated Financial Statements
For the period from Inception to December 31, 2020 (Successor) and for the period from January 1, 2020 to January 31, 2020 (Predecessor)

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Consolidated Financial Statements

Report of Independent Auditors

To the Management and Board of Directors of Castle Intermediate Holding V Ltd.

We have audited the accompanying consolidated financial statements of Castle Intermediate Holding V Ltd. and its subsidiaries (Successor), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows for the period from December 11, 2019 (inception) to December 31, 2020.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Castle Intermediate Holding V Ltd. and its subsidiaries (Successor) as of December 31, 2020, and the results of their operations and their cash flows for the period from December 11, 2019 (inception) to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Baltimore, Maryland
May 12, 2021

Report of Independent Auditors

To the Management and Board of Directors of Castle Intermediate Holding V Ltd.

We have audited the accompanying consolidated financial statements of Cision Ltd. and its subsidiaries (Predecessor), which comprise the consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows for the period from January 1, 2020 to January 31, 2020.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Cision Ltd. and its subsidiaries (Predecessor) for the period from January 1, 2020 to January 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Baltimore, Maryland
May 12, 2021

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Castle Intermediate Holding V Limited and its Subsidiaries
Consolidated Balance Sheet
December 31, 2020

(in thousands, except share amounts)		Successor **December 31, 2020**
Assets		
Current assets:		
Cash and cash equivalents	$	144,138
Accounts receivable, net		137,821
Prepaid expenses and other current assets		40,821
Total current assets		322,780
Property and equipment, net		61,745
Other intangible assets, net		1,145,119
Goodwill		1,715,393
Operating lease right-of-use assets		61,313
Deferred tax asset		1,850
Other assets		18,533
Total assets	$	3,326,733
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$	15,921
Accrued compensation and benefits		35,108
Current portion of long-term debt		16,146
Current portion of deferred revenue		167,456
Operating lease liabilities		16,590
Other accrued expenses		99,825
Total current liabilities		351,046
Long-term debt, net of current portion		2,017,014
Deferred revenue, net of current portion		890
Operating lease liabilities, net of current portion		51,727
Deferred tax liability		199,424
Other liabilities		11,428
Total liabilities		2,631,529
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $1.30 par value, 2 shares issued and outstanding at December 31, 2020		-
Additional paid-in capital		850,000
Accumulated other comprehensive loss		16,455
Accumulated deficit		(171,251)
Total stockholders' equity		695,204
Total liabilities and stockholders' equity	$	3,326,733

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

Castle Intermediate Holding V Limited and its Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor)

	Successor	Predecessor
(in thousands)	**Inception to December 31, 2020**	**January 1, 2020 to January 31, 2020**
Revenue	$ 671,384	$ 63,066
Cost of revenue	259,303	21,163
Gross profit	412,081	41,903
Operating costs and expenses		
Sales and marketing	117,288	11,822
Research and development	25,244	3,095
General and administrative	192,337	54,568
Amortization of intangible assets	143,973	6,262
Total operating costs and expenses	478,842	75,747
Operating loss	(66,761)	(33,844)
Non operating income (expense):		
Foreign exchange gain (loss)	(47,133)	2,520
Interest and other income, net	2,949	534
Interest expense	(111,748)	(5,343)
Total non operating loss	(155,932)	(2,289)
Loss before income taxes	(222,693)	(36,133)
Benefit from income taxes	(51,442)	(3,947)
Net loss	(171,251)	(32,186)
Other comprehensive income (loss) - foreign currency translation adjustments	16,455	(4,174)
Comprehensive loss	$ (154,796)	$ (36,360)

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

Castle Intermediate Holding V Limited and its Subsidiaries
Consolidated Statements of Stockholders' Equity
Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor)

(in thousands, except share amounts)	Share Capital						
	Shares	$	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balances at December 31, 2019 (Predecessor)	148,518,264	$ 15	$ 992,343	$ (58,119)	$ (439,324)	$ 494,915
Equity-based compensation expense	—	—	1,214	—	—	1,214
Vesting restricted stock units upon change-of-control	1,850,052	—	11,154	—	—	11,154
Vesting of restricted stock units	172,420	—	(683)	—	—	(683)
Net loss	—	—	—	—	(31,003)	(31,003)
Foreign currency translation adjustments	—	—	—	(4,174)	—	(4,174)
Balances at January 31, 2020 (Predecessor)	150,540,736	$ 15	$ 1,004,028	$ (62,293)	$ (470,327)	$ 471,423
Balances at Inception (Successor)	—	$ —	$ —	$ —	$ —	$ —
Capital Contributed	2	—	850,000	—	—	850,000
Net loss	—	—	—	—	(171,251)	(171,251)
Foreign currency translation adjustments	—	—	—	16,455	—	16,455
Balances at December 31, 2020 (Successor)	2	$ —	$ 850,000	$ 16,455	$ (171,251)	$ 695,204

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

Castle Intermediate Holding V Limited and its Subsidiaries
Consolidated Statements of Cash Flows
Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor)

	Successor	Predecessor
	Inception to December 31, 2020	**January 1, 2020 to January 31, 2020**
Cash flows from operating activities		
Net loss	$ (171,251)	$ (32,186)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	212,112	8,994
Amortization of operating right-of-use assets	12,754	987
Non-cash interest charges and amortization of debt discount and deferred financing costs	13,386	735
Equity-based compensation expense	-	13,518
Provision for doubtful accounts	15,734	826
Deferred income taxes	(36,283)	(4,164)
Unrealized foreign currency (gains) losses	47,327	(2,445)
Accounts receivable	12,599	(15,731)
Prepaid expenses and other current assets	8,787	(4,730)
Other assets	(4,629)	1,117
Accounts payable	2,790	169
Accrued compensation and benefits	6,829	(8,360)
Other accrued expenses	(17,976)	28,760
Deferred revenue	10,630	23,591
Other liabilities and net change in operating leases	(31,163)	(344)
Net cash provided by operating activities	81,646	10,737
Cash flows from investing activities		
Purchases of property and equipment	(7,676)	(430)
Software development costs	(28,199)	(2,488)
Acquisitions of businesses, net of cash and restricted cash acquired of $114,529	(2,699,953)	-
Net cash used in investing activities	(2,735,828)	(2,918)
Cash flows from financing activities		
Proceeds from term loan facility, net of debt discount of $51,625	1,699,595	-
Repayments of term credit facility	(11,924)	-
Proceeds from senior notes, net of debt discount of $3,750	296,250	-
Debt issuance costs	(35,499)	-
Proceeds from related party loans	300,000	-
Payments on related party loans	(304,913)	-
Proceeds from issuance of equity	850,000	-
Net cash provided by financing activities	2,793,509	-
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	5,385	(392)
Increase in cash, cash equivalents, and restricted cash	144,712	7,427
Cash, cash equivalents, and restricted cash		
Beginning of period	-	107,008
End of period	$ 144,712	$ 114,435
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	$ 144,138	$ 114,021
Restricted cash, included in prepaid expenses and other current assets	574	414
Total cash, cash equivalents, and restricted cash	$ 144,712	$ 114,435
Supplemental disclosure of cash flows information		
Cash paid during the year for		
Interest	$ 87,435	$ -
Income taxes	11,120	1,206
Supplemental disclosure of non-cash investing activity		
Additions to property and equipment through accounts payable and accrued expenses	$ 4,401	

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

1. Business

Organization

Castle Intermediate Holding V Ltd. ("the Company" or sometimes referred to as "we" or "our"), a England and Wales incorporation, was formed on December 11, 2019 (“Inception”) for the purpose of completing the acquisition of Cision Ltd. which closed on January 31, 2020. The primary operations of the Company commenced after the acquisition of Cision Ltd. on January 31, 2020. We are a leading provider of cloud-based software, media intelligence and distribution services, and other related professional services to the marketing and public relations industry. Communications professionals use the Company’s products and services to identify and connect with media influencers, manage industry relationships, create and distribute content, monitor media coverage, perform advanced analytics and measure the effectiveness of their campaigns. The Company has primary offices in Chicago, Illinois, Beltsville, Maryland, Ann Arbor, Michigan, New York, New York, Cleveland, Ohio, Austin, Texas, and Albuquerque, New Mexico with additional offices in the United States, as well as Australia, Brazil, Bulgaria, Canada, China, Denmark, Dubai, France, Germany, Hong Kong, Hungary, India, Malaysia, Mexico, Portugal, Singapore, South Korea, Sweden, Taiwan, the United Kingdom and Vietnam.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make certain estimates and assumptions. On an on-going basis, the Company evaluates its estimates, including, but not limited to, those related to the allowance for doubtful accounts, software development costs, useful lives of property, equipment and internal use software, intangible assets and goodwill, and income taxes. The Company bases its estimates on various assumptions 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 as well as the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

As of December 31, 2020, the impact of the outbreak of the novel coronavirus (COVID-19) continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could materially impact our estimates related to, but not limited to, revenue recognition, allowance for doubtful accounts, and impairments on goodwill and intangible assets. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturity dates of three months or less at the time of purchase to be cash equivalents. For the period reported the Company did not carry any investments with original maturity dates of longer than three months.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value pursuant to a fair value hierarchy based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. 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 its own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
Level 3	Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company applies fair value measurements when determining the fair value of net assets acquired and consideration transferred when applying acquisition accounting and its reporting unit for purposes of its goodwill impairment test.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are recorded net of provisions for doubtful accounts. Estimates are used to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to the estimated net realizable value.

These estimates are made by analyzing the status of significant past-due receivables and by establishing provisions for estimated losses by analyzing current and historical bad debt trends. Actual collection experience has not varied significantly from prior estimates. The allowance for doubtful accounts at December 31, 2020 was $15.7 million.

Internal Use Software Development
The Company incurs software development costs related to its internal use software. Qualifying costs incurred during the application development stage are capitalized. These costs primarily consist of internal labor and third-party development costs and are amortized using the straight-line method over the estimated useful life of the software, which is generally two years. All other research and development costs are expensed as incurred. Costs to maintain and update the information database are expensed within cost of revenues as these expenses are incurred. From Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor), the Company recorded amortization expense related to internal use software of $5.2 million and $1.2 million, respectively, within cost of revenue in the consolidated statements of operations and comprehensive loss.

Property, Equipment and Purchased Software
Property, equipment and purchased software are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: three to five years for software and computer and office equipment and five to seven years for furniture and fixtures. Assets acquired under leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases. Repairs and maintenance costs are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recorded in the results of operations.

Leases
The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in our consolidated balance sheet. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value

of lease payments over the lease term. The Company uses an incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. The Company recognizes lease expense for its operating leases on a straight-line basis over the term of its lease.

Long-Lived Assets
Long-lived assets include property, equipment and software and intangible assets with finite lives. Intangible assets consist of customer relationships, trade names and purchased technology acquired in business combinations. Intangible assets are amortized using the accelerated method, which approximates the pattern of usage of the economic benefit of the asset, over their estimated useful lives ranging from two to fifteen years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets. No impairments have been recorded as of December 31, 2020.

The Company regularly revisits its estimate of useful economic lives of long-lived assets and makes adjustments to those lives where appropriate.

Business Combinations
The Company has completed an acquisition of a business that has resulted in the recording of goodwill and identifiable definite-lived intangible assets. The Company recognizes all of the assets acquired and liabilities assumed at their fair values on the acquisition date. The Company uses significant estimates and assumptions, including fair value estimates, as of the acquisition date using the income and cost approaches (or a combination thereof). Fair values are determined based on Level 3 inputs, including estimated future cash flows, discount rates, royalty rates, growth rates, sales projections, customer retention rates and terminal values, all of which require significant management judgment. The Company refines these estimates that are provisional, as necessary, during the measurement period. The measurement period is the period after the acquisition date, not to exceed one year, in which new information may be gathered about facts and circumstances that existed as of the acquisition date to adjust the provisional amounts recognized. Adjustments to assets and liabilities within the measurement period are recorded with a corresponding offset to goodwill. All other adjustments, including those after the conclusion of the measurement period, are recorded to the consolidated statement of operations and comprehensive loss.

Acquisition-related costs are expensed as incurred separately from the acquisition and generally are included in general and administrative expenses in the consolidated statement of operations and comprehensive loss.

Deferred Financing Costs and Debt Discounts
The Company amortizes costs to obtain financing over the term of the underlying obligation using either the effective interest method or the straight-line method, as appropriate. Debt discounts and deferred financing costs are netted from the carrying value of the debt and amortized over the term of the debt using the effective interest method. Deferred financing fees related to the Company's revolving debt facilities are included within other assets in the consolidated balance sheet. The amortization of deferred financing costs and debt discounts is included in interest expense in the accompanying consolidated statement of operations and comprehensive loss.

Goodwill

Goodwill represents the excess of the cost of an acquired entity over the net fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but rather is assessed for impairment at least annually. The Company performs its annual impairment assessment on October 1, or whenever events or circumstances indicate impairment may have occurred. On October 1, 2020, the Company performed its annual goodwill impairment assessment based on the fair value of each of the Company's reporting units. The Company used an income approach and a market approach based on discounted cash flows to determine the fair value of its reporting unit. The Company's cash flow assumptions considered historical and forecasted revenue, operating costs and other relevant factors which were consistent with the plans used to manage the Company's operations.

As of October 1, 2020, the Company concluded that its reporting units' fair values are greater than their respective carrying amounts.

Foreign Currency

The reporting currency for the period presented is the U.S. dollar. The functional currency for the Company's foreign operating subsidiaries is their local currency. The functional currency of the Company and substantially all of its non operating subsidiaries is the US dollar. The financial statements of these operating subsidiaries are translated into U.S. dollars using exchange rates in effect at each balance sheet date for assets and liabilities and average exchange rates during the period for revenues and expenses. The resulting translation adjustments are included in accumulated other comprehensive loss, a separate component of stockholders' equity. Gains or losses, whether realized or unrealized due to transactions in foreign currencies and the remeasurement of certain intercompany balances, are included in the consolidated statement of operations and total comprehensive loss.

Defined Benefit Pension Plan

Employees of CNW Group Ltd., a wholly owned subsidiary, participate in a defined benefit pension plan whereby pension expense is determined based on a number of actuarial assumptions, which are reviewed on an annual basis. The defined benefit plan is closed to new participants. The actuarial assumptions used include discount rate, expected rate of return on plan assets, rate of salary increases and other factors. The unfunded status of the plan is recognized as a long-term liability in the consolidated balance sheet at December 31, 2020 and totals $3.7 million. This date is also the measurement date for the defined benefit pension plan.

Investment in Unconsolidated Affiliate

The Company's investment in an unconsolidated affiliate over which the Company has significant influence was accounted for under the equity method of accounting. The Company records its share of the undistributed income or loss from this investment, which, to date, have been immaterial. At December 31, 2020, the investment in unconsolidated affiliate is $4.0 million, which is included within other long-term assets in the consolidated balance sheet.

Comprehensive Loss

Comprehensive loss includes the Company's net loss and foreign currency translation adjustments. There are no other material components of comprehensive loss from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor).

Revenue Recognition

The Company accounts for revenue contracts with customers by applying the requirements of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), which includes the following steps:

- Identification of the contract, or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of the revenue when, or as, the Company satisfies a performance obligation.

The Company derives its revenue from access to its cloud based technology platform and related media management and analysis services sold on a subscription basis. Revenue is also derived from the distribution of press releases on both a subscription basis and separately from non-subscription arrangements. Dependent on the nature of the distribution contract with the customer, the Company recognizes revenue on subscription basis over the contract term of the subscription, or on a per-transaction basis when the press releases are made available to the public.

Subscription services include access to the Company's software platform and associated hosting services, content and content updates, customer support and media management and analysis services. Subscription services are recognized ratably over the contractual period that the services are delivered, beginning on the date in which such service is made available to the customer. Subscription agreements are typically one year in length and are non-cancelable, though customers have the right to terminate their agreements if the Company materially breaches its obligations under the agreement. Software subscription agreements do not provide customers the right to take possession of the software at any time. The Company does not charge customers an upfront fee for use of the platform and implementation activities are insignificant and not subject to a separate fee. In certain cases, the Company charges annual membership fees which are recognized ratably over the one-year membership period.

The Company accounts for a contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified and payment terms can be identified, the contract has commercial substance and it is probable that the Company will collect substantially all of the consideration. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of the promised service to a customer. The transaction price for subscription arrangements and services is generally fixed at contract inception. The Company's standard payment terms are generally net 30 days. For transaction-based services, which predominantly comprise press release distributions, customers are invoiced in the month the release is made available to the public.

In the event that a customer arrangement contains multiple services, the Company determines whether such goods or services are distinct performance obligations that should be accounted for separately in the arrangement. When arrangements contain multiple performance obligations, further evaluation is usually not required given such performance obligations are generally recognized over time using the same measure of progress and thus, are accounted for as a single performance obligation. Otherwise, when allocating the transaction price in the arrangement, the Company uses the estimated standalone selling price of each distinct performance obligation. In order to estimate the standalone selling prices, the Company relies on the price charged for stand-alone sales, expected cost plus margin and adjusted market assessment approaches. Revenue is then recognized over the pattern of performance as each obligation is satisfied as discussed above.

The transaction price for the Company's subscription arrangements and professional services is generally fixed at contract inception.

Transaction Price Allocated to the Remaining Performance Obligations
Transaction price allocated to remaining performance obligations represents contract revenue that has not yet been recognized. The Company has elected the practical expedient to not disclose the transaction price allocated to remaining performance obligations that are part of a contract that has an original expected duration of one year or less.

Contract Balances
Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. Deferred revenue consists of payments received from or billings to customers in advance of revenue recognition. Deferred revenue to be recognized in the succeeding twelve-month period is included in current deferred revenue with the remaining amounts included in noncurrent deferred revenue. Invoices issued in advance of the fulfillment of a deliverable or the start of the customers' subscription term are not material.

Sales Commissions
In accordance with ASC 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, the Company capitalizes incremental costs incurred to obtain a contract when such costs would have not been incurred if the contract had not been obtained. The Company has elected to expense costs incurred when the amortization period would be one year or less. Initial sales commissions for subscription contracts are deferred and amortized on a straight-line basis over a period of benefit that the Company estimates to be three years. The Company determines the period of benefit by taking into consideration the average technology life and average customer life. Amortization of deferred sales commissions is included as a component of sales and marketing expenses in the Company's consolidated statement of net loss and total comprehensive loss.

As of December 31, 2020, the asset balance for costs to obtain a contract was $7.3 million, of which $4.6 million is expected to be amortized in the next twelve months. Commissions recognized from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor) were $24.7 million and $2.7 million, respectively.

Advertising Costs
The Company expenses advertising costs as incurred. Advertising costs from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor), were approximately $3.9 million and $0.3 million, respectively.

Concentrations of Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company generally maintains its cash and cash equivalents with various nationally recognized financial institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

The Company provides cloud-based software, distribution services and related professional services to various customers across many industries. As of December 31, 2020, no individual customer accounted for 10% or more of net accounts receivable. For the period ended December 31, 2020, no individual customer accounted for 10% or more of revenue.

Income Taxes
Income taxes are determined utilizing the asset and liability method whereby deferred tax assets and liabilities are recognized for deductible temporary differences between the respective reported amounts and tax bases of assets and liabilities, as well as for operating loss and tax-credit carryforwards. Net deferred tax assets are reduced by a valuation allowance when, in the opinion of

management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's estimates related to liabilities for uncertain tax positions require it to make judgments regarding the sustainability of each uncertain tax position based on its technical merits. If it determines it is more likely than not that a tax position will be sustained based on its technical merits, the Company records the impact of the position in its consolidated financial statements at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement. The estimates are updated at each reporting date based on the facts, circumstances and information available. The Company is also required to assess at each reporting date whether it is reasonably possible that any significant increases or decreases to its unrecognized tax benefits will occur during the next twelve months. The Company files income tax returns in the U.S. federal jurisdictions and various state and foreign jurisdictions and is subject to U.S. federal, state, and foreign tax examinations for years ranging from 2014 to 2020.

Recent Accounting Pronouncements

New Accounting Pronouncements Recently Adopted

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), which modifies the disclosure requirements related to fair value measurements. The ASU eliminates the requirement to disclosure and amount and reasons for transfers between Level 1 and Level 2 fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. Entities will now be required to disclose the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019, early adoption permitted. The Company adopted ASU 2018-13 in 2020 and it did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Effective

In September 2016, the FAS) issued Accounting Standard Update No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses. ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company is in the process of evaluating the impact of this standard on its consolidated financial statements, but does not expect the adoption to have a material impact.

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40), which clarifies the accounting for costs of implementing a cloud computing service arrangement. The ASU requires companies to capitalize the implementation costs associated with cloud computing service arrangements, regardless as to whether the contract contains a license. The ASU is effective for annual reporting periods after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. The Company is in the process of evaluating the impact of this standard on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in fiscal 2022. The Company is evaluating the impact of the adoption of ASU 2019-12 on its financial statements but does not expect such adoption to have a material impact.

In March 2020, the FASB issued ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*" ("ASU 2020-04"). The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the amended guidance and the impact on its consolidated financial statements and related disclosures.

3. Business Combinations

Acquisition of Cision

In October 2019, the Company entered into a definitive agreement to acquire Cision Ltd. for $10.00 per share and the repayment of all existing debt. On January 31, 2020, the Company completed the acquisition of Cision Ltd. The preliminary purchase price was approximately $2,817.1 million, consisting of approximately $2,795.3 million in cash consideration, $1.8 million held in escrow to be released in April 2020 and $20.0 million in deferred cash consideration. The $20.0 million deferred cash consideration is comprised of $18.5 million in change of control restricted stock units which were paid in February 2020 and $1.5 million restricted stock units which converted to a deferred cash plan to be paid out in cash consideration based on the original awards vesting schedule.

Total acquisition related costs incurred from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor) were $29.3 million and $27.7 million, respectively. The acquisition costs are included in general and administrative expense in the consolidated statement of operations and comprehensive loss. The acquisition was accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on estimated fair values as of the acquisition date.

The following table summarizes the preliminary allocation of the purchase price by the Company to the fair value of the assets and liabilities. During the year ended December 31, 2020, the Company made measurement period adjustments to the initial purchase price allocation that resulted in a decrease in accounts receivable of $0.2 million, an increase in prepaid expenses of $1.1 million, a decrease in accounts payable and accrued liabilities of $3.0 million, a decrease in deferred revenue of $7.2 million, an increase in deferred tax liabilities of $10.9 million, and a decrease in goodwill of $0.2 million. The identifiable intangible assets include the trade name, customer relationships and purchased technology and are being amortized over seven to fifteen years on an accelerated basis.

(in thousands)	Preliminary Purchase Price Allocation	Purchase Price Allocation Adjustment	Revised Purchase Price Allocation
Cash, cash equivalents and restricted cash	$ 114,529	$ -	$ 114,529
Accounts receivable	162,060	(197)	161,863
Prepaid and other assets	47,611	1,100	48,711
Property, equipment and software	35,187	-	35,187
Operating lease right-of-use assets	69,583	-	69,583
Trade name	424,400	-	424,400
Customer relationships	680,825	-	680,825
Purchased technology	216,250	-	216,250
Goodwill	1,697,300	(234)	1,697,066
Total assets acquired	3,447,745	669	3,448,414
Accounts payable and accrued liabilities	(168,410)	3,029	(165,381)
Deferred revenue	(167,092)	7,215	(159,877)
Deferred taxes	(222,999)	(10,913)	(233,912)
Operating lease liabilities	(72,189)	-	(72,189)
Total liabilities assumed	(630,690)	(669)	(631,359)
Net assets acquired	$ 2,817,055	$ -	$ 2,817,055

4. Property, Equipment, and Purchased Software

Property, equipment and software consisted of the following at December 31, 2020:

(in thousands)	**2020**
Purchased software, computer and office equipment	$ 20,661
Furniture and fixtures	2,842
Leasehold improvements	18,149
Capitalized software development costs	37,545
Property and equipment at cost	79,197
Less: Accumulated depreciation and amortization	(17,452)
Property and equipment, net	$ 61,745

Depreciation and amortization expense of property, equipment and internal use software was $15.8 million from Inception through December 31, 2020 (Successor). Of this amount, $7.7 million is included in cost of revenue and $8.1 million is included in operating expense.

Depreciation and amortization expense of property, equipment and internal use software was $1.9 million from January 1, 2020 to January 31, 2020 (Predecessor). Of this amount, $1.4 million is included in cost of revenue and $0.5 million is included in operating expense.

5. Goodwill and Intangibles

Goodwill consisted of the following at December 31, 2020:
(in thousands)

Balance as of Inception	$	-
Acquisition of Cision Ltd.		1,697,300
Purchase price allocation adjustments		(234)
Effects of foreign currency		18,327
Balance as of December 31, 2020	$	1,715,393

Definite-lived intangible assets consisted of the following at December 31, 2020:

	December 31, 2020			
(in thousands)	Gross Carrying Amount	Foreign Currency Translation	Accumulated Amortization	Net Carrying Amount
Trade names and brand	$ 424,400	$ 1,495	$ (47,502)	$ 378,393
Customer relationships	680,825	20,691	(99,584)	601,932
Purchased technology	216,250	1,122	(52,578)	164,794
Balances at December 31, 2020	$ 1,321,475	$ 23,308	$ (199,664)	$ 1,145,119

Amortization expense from Inception through December 31, 2020 (Successor) was $196.3 million, of which $52.3 million is included in cost of revenue and $144.0 million is included in amortization expense of intangible assets on the consolidated statement of operations and comprehensive loss.

Amortization expense from January 1, 2020 to January 31, 2020 (Predecessor) was $7.0 million, of which $0.8 million is included in cost of revenue and $6.2 million is included in amortization expense of intangible assets on the consolidated statement of operations and comprehensive loss.

Weighted-average useful life at December 31, 2020	**Years**
Trade names and brand	13.4
Customer relationships	9.1
Purchased technology	5.4

Future expected amortization of intangible assets at December 31, 2020 is as follows:

(in thousands)

Year ended December 31,		
2021	$	238,672
2022		197,037
2023		158,776
2024		125,893
2025		104,474
Thereafter		320,267
	$	1,145,119

6. Leases

The Company has various non-cancelable operating leases, primarily related to office real estate and datacenters that expire through 2035 and generally contain renewal options for up to five years. Under ASC 842, the lease term includes options to extend or terminate the lease when the Company is reasonably certain that it will exercise the option. In accordance with ASC 842, the Company accounts for lease components (components of a contract for which the Company economically benefits from their use and is not highly interrelated with other right of use assets underlying the contract such as base rent) separately from the non-lease components (e.g., common-area maintenance costs). For datacenter leases, the Company elected the practical expedient to combine its lease and non-lease components that meet the defined criteria and will account for the lease component under Topic 842. The Company has no significant financing leases. Lastly, the Company has not entered into any future office space leases that will create significant rights and obligations for the Company.

At inception of a contract, the Company determines if the contract contains a lease based on requirements of ASC 842. If a lease with a term greater than 1 year is identified, the Company will add a ROU asset and lease liability to the balance sheet. The Company has elected the practical expedient and expenses all leases with a contract term of 1 year or less. The Company recognizes a lease liability based on the net present value of total lease payments which utilizes an implicit discount rate based on the Company's collateralized borrowing rate placed on a yield curve. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. To derive the ROU asset, the Company makes required adjustments, such as indirect costs and prepaid or deferred balances, to the lease liability. The Company recognizes operating lease expense on a straight-line basis over the term of the lease within operating expenses and cost of revenue.

	Successor		Predecessor	
	Inception to December 31, 2020		**January 1, 2020 to January 31, 2020**	
Lease Cost (in thousands)				
Operating lease cost	$	16,451	$	1,454
Short-term lease cost		2,639		237
Variable lease cost		6,689		497
Sublease income		(825)		(88)
Total lease cost	$	24,954	$	2,100

Operating leases (thousands)	**Classification**	**December 31, 2020**
Operating right-of-use assets	Operating right-of-use assets	$ 61,313
Operating lease liabilities (current)	Operating lease liabilities (current)	$ 16,590
Operating lease liabilities (net of current portion)	Operating lease liabilities (net of current portion)	51,727
Total operating lease liabilities		$ 68,317
Weighted average remaining lease term		6.1 years
Weighted average discount rate		4.6%

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2020 (in thousands):

2021	$ 19,028
2022	15,052
2023	10,157
2024	8,354
2025	7,206
Thereafter	19,565
Total lease payments	79,362
Less: Imputed interest	(11,045)
Present value of lease liabilities	$ 68,317

(in thousands)	**Inception to December 31, 2020**
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 14,796
ROU assets obtained in exchange for new operating lease liabilities	
Operating leases	$ 4,857

7. Debt

Debt consisted of the following at December 31, 2020:

	December 31, 2020		
(in thousands)	**Short-Term**	**Long-Term**	**Total**
2020 Credit Facilities	$ 16,146	$ 1,786,295	$ 1,802,441
2020 Senior Notes	—	300,000	300,000
Unamortized debt discount and issuance costs	—	(69,281)	(69,281)
Balances at December 31, 2020	$ 16,146	$ 2,017,014	$ 2,033,160

2020 Credit Facilities

On January 31, 2020, in connection with the acquisition of Cision (Note 3), the Company entered into a Credit Agreement (the "Credit Agreement") and related loan documents with Bank of America, N.A., as administrative agent and collateral agent, and a syndicate of commercial lenders. The 2020 Credit Facilities (as defined below) consists of:

(i) A revolving credit facility, which permits borrowings and issuances of letters of credit up to $150.0 million ("2020 Revolving Credit Facility"), of which up to $50.0 million may be used for standby and trade letters of credit;

(ii) A $1,200.0 million Dollar-denominated term credit facility (the "2020 Dollar Term Credit Facility"); and

(iii) A €500.0 million Euro-denominated term credit facility (the "2020 Euro Term Credit Facility") and, together with the 2020 Dollar Term Credit Facility, the "2020 Term Credit Facility" and collectively with the 2020 Revolving Credit Facility, the "2020 Credit Facilities").

The Company used the proceeds of the 2020 Credit Facilities to acquire Cision.

On March 6, the Company increased the 2020 Revolving Credit Facility by $30.0 million to $180.0 million.

The obligations under the 2020 Credit Facilities are guaranteed and secured by substantially all of the assets of the Company's U.S. subsidiaries and certain subsidiaries formed under the laws of England and Wales, in each case, subject to certain exceptions.

Under the 2020 Credit Facilities, interest is charged at a rate equal to (a) base rate plus 2.75% per annum in the case of base rate loans, (b) LIBOR rate plus 3.75% per annum in the case of the loans under the 2020 Revolving Credit Facility and the 2020 Dollar Term Credit Facility maintained as Eurocurrency rate loans, or (c) EURIBOR Rate plus 3.75% per annum in the case of the 2020 Euro Term Credit Facility loans. As of December 31, 2020, the applicable interest rate under the 2020 Dollar Term Credit Facility and the 2020 Euro Term Credit Facility was 4.00% and 3.75%, respectively.

The Company began to make quarterly principal payments starting on June 30, 2020 under the 2020 Dollar Term Credit Facility of $2.5 million and the 2020 Euro Term Credit Facility of €1.25 million.

As of December 31, 2020, under the 2020 Revolving Credit Facility, the Company had no outstanding borrowings and had $1.4 million in outstanding letters of credit. As of December 31, 2020, the Company had $8.2 million of deferred financing fees related to the 2020 Revolving Credit Facility which is included within other assets in the consolidated balance sheet. As of December 31, 2020, the Company had $1,802.4 million outstanding under the 2020 Credit Facilities.

For the benefit of the lenders under the 2020 Revolving Credit Facility, the Credit Agreement include a springing financial maintenance covenant, which is effective the third quarter of 2020 and shall only be tested to the extent at least 35% of the revolving commitments are outstanding in the form of loans or letters of credit as of the last day of the fiscal quarter. Such covenant requires that, as of the last day of each fiscal quarter, the first lien net leverage ratio of the Company and its restricted subsidiaries cannot exceed the applicable ratio set forth in the 2020 Credit Facilities (subject to certain rights to cure any failure to meet such ratio as set forth in the Credit Agreement). The 2020 Credit Facilities are also subject to certain customary affirmative covenants and negative covenants. As of December 31 2020, the Company was in compliance with all covenants.

The 2020 Credit Facilities provide that an event of default will occur upon specified change of control events. "Change of Control" is defined to include, among other things, the failure by the Company, its affiliates and certain other Permitted Holders to beneficially own, directly or indirectly, a majority of the voting equity of Castle US Holding Corporation (each as defined in the Credit Agreement).

2020 Senior Notes
Following the acquisition of the Company (Note 3), on February 5, 2020, Castle US Holding Corporation, an affiliate of the Company, issued $300.0 million of unsecured senior notes ("2020 Senior Notes"). The Company used the proceeds from this offering to repay a related party loan and related transaction fees and expenses. Interest on the 2020 Senior Notes accrues at 9.50% and the first interest payment date was August 15, 2020. The Company pays interest semi-annually on February 15 and August 15 of each year. The 2020 Senior Notes mature on February 15, 2028. At any time prior to February 15, 2023, Castle US Holding Corporation may redeem some or all of the notes at a redemption price equal to 100% of the principal amount of the notes plus any accrued and unpaid interest to, but not including, the redemption date and a "make-whole" premium as described in indenture under which the 2020 Senior Notes was issued. In addition, the Castle US Holding Corporation may redeem the notes at any time on or after February 15, 2023 at specified prices as described in indenture under which the 2020 Senior Notes was issued plus any accrued and unpaid interest to, but not including, the redemption date. Furthermore, at any time prior to February 15, 2023, Castle US Holding Corporation may redeem up to 40% of the notes with the cash proceeds of certain equity offerings at the redemption price as described in indenture under which the 2020 Senior Notes was issued plus any accrued and unpaid interest to, but not including, the redemption date.

Future Minimum Principal Payments
Future minimum principal payments of debt as of December 31, 2020 are as follows:

(in thousands)

Year ended December 31,	
2021	$ 16,146
2022	16,146
2023	16,146
2045	16,146
2025	16,146
Thereafter	1,721,711
	$ 1,802,441

Interest expense from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor), was as follows:

(in thousands)	Successor Inception to December 31, 2020	Predecessor January 1, 2020 to January 31, 2020
Interest on credit facilities	$ 71,319	$ 4,608
Interest on senior notes	25,729	-
Accretion of debt discount and deferred financing costs	13,386	735
Commitment fees and other	1,314	-
Total interest expense	$ 111,748	$ 5,343

8. Employee Benefit Plans

The Company sponsors defined-contribution, profit-sharing and other benefit plans in the United States, Canada, the United Kingdom and France. Total expense for defined contribution plans from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor) were approximately $5.7 million and $0.6 million, respectively.

CNW Retirement Plans

Employees of CNW participate in a defined benefit pension plan component. The defined benefit plan has been closed to new participants since 2006. In addition, CNW maintains a non-registered defined benefit pension plan for a former executive, which provides benefits in excess of those payable from the registered defined benefit plan. The actuarial cost method used for the valuation of the defined benefit post-employment benefits is the present value of the benefits expected to be paid. CNW's contributions to defined contribution plans are expensed as incurred. The net periodic pension expense recognized for CNW's defined benefit plan from Inception through December 31, 2020 (Successor) was $0.4 million while no net periodic pension expense was recognized in the period January 1, 2020 to January 31, 2020 (Predecessor).

Reconciliation of Benefit Obligations, Plan Assets and Funded Status

The following table summarizes the benefit obligation, plan assets and the funded status of CNW's two defined benefit plans at December 31, 2020 (in thousands):

(in thousands)	
Change in benefit obligation	
Benefit obligation balance at January 1, 2020	$ 13,012
Service cost	242
Interest cost	388
Participant contributions	20
Actuarial gain (loss)	63
Benefits paid	(375)
Foreign currency translation	330
Benefit obligation balance at December 31, 2020	$ 13,679

(in thousands)

Change in plan assets		
Fair value of plan assets at January 1, 2020	$	11,961
Return on plan assets		785
Employer contributions		531
Participant contributions		20
Benefits paid		(375)
Foreign currency translation		336
Fair value of plan assets at December 31, 2020	$	13,258

The amount recognized in the consolidated balance sheets as long-term pension obligation as of December 31, 2020 was $3.7 million. Substantially all of the Plan's assets consist primarily of a pooled fund, which is primarily invested in government and corporate bonds. They are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the assets within the pooled fund have been classified as Level 2. The fair value reflects the proportionate share of the fair value of the investments held in the underlying pooled fund.

Assumptions

Weighted-average assumptions used to determine the benefit obligation reflected in the consolidated balance sheets and the net periodic pension cost in the consolidated statements of comprehensive loss for the years ended December 31, 2020 were as follows:

	2020
Discount rate	2.8 %
Rate of compensation increase	3.5 %
Expected return on plan assets	2.25 %

Future Cash Flows of Benefit Plans

The following table summarizes the expected future cash flows of CNW's two defined benefit plans at December 31, 2020

(in thousands)

Projected company contributions for 2021	$	332
Expected benefit payments for year ended December 31, 2021	$	400
2022		397
2023		422
2024		436
2025		455
Thereafter		2,739

The long-term rates of return are determined based on the nature of each plan's investments, an expectation for each plan's investment strategies, historical rates of return and current economic forecasts, among other factors, and are evaluated annually and adjusted as necessary.

9. Investment in Unconsolidated Affiliate

The Company has a 50% interest in a joint venture with Algemeen Nederlands Persbureau in ANP Pers Support v.o.f. ("ANPps"). This investment in an unconsolidated affiliate is accounted for by the equity method. At December 31, 2020, the investment in unconsolidated affiliate is $4.0 million, which is included within other long-term assets in the consolidated balance sheet. From Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor), the Company's allocation of net income from ANPps was $0.7 million and $0.0 million, respectively.

10. Income Taxes

For the periods ended December 31, 2020 and January 31, 2020, the U.S. and foreign components of income (loss) before income taxes were as follows:

(in thousands)	Successor **Inception to December 31, 2020**	Predecessor **January 1, 2020 to January 31, 2020**
U.S.	$ (167,294)	$ (27,499)
Foreign	(55,399)	(8,634)
Total loss before income taxes	$ (222,693)	$ (36,133)

For the periods ended December 31, 2020 and January 31, 2020, the provision for income taxes consisted of the following:

(in thousands)	Successor **Inception to December 31, 2020**	Predecessor **January 1, 2020 to January 31, 2020**
Current expense (benefit) Federal		
Federal	$ (17,445)	$ 323
State	(1,995)	179
Foreign	6,350	2
Total current expense (benefit)	(13,090)	504
Deferred expense (benefit) Federal		
Federal	(17,315)	(2,053)
State	(9,187)	(673)
Foreign	(11,850)	(1,725)
Total deferred expense (benefit)	(38,352)	(4,451)
Total benefit for income taxes	$ (51,442)	$ (3,947)

The Company is a UK entity with a 19% statutory tax rate with subsidiaries in various jurisdictions including the United States, Canada, and France. The Company's effective tax rate differed from the UK statutory rate as a result of the foreign statutory rates in each of its subsidiaries, as well as certain nondeductible expenses, including transaction costs and GILTI. In addition, differences were caused from U.S. state income taxes, an increase of the valuation allowance for certain U.S. and foreign deferred tax assets and the release of uncertain tax positions.

For the periods ended December 31, 2020 and January 31, 2020, the Company's effective tax rate was as follows:

	Successor	Predecessor
	Inception to December 31, 2020	**January 1, 2020 to January 31, 2020**
Income tax at UK statutory rate	19.0%	0.0%
State income taxes, net of U.S. federal benefit	3.6%	1.5%
Expense from different foreign tax rates	0.3%	20.1%
Change in valuation allowance	-2.7%	-4.7%
Nondeductible expenses	-1.6%	-7.7%
Uncertain Tax Positions	4.1%	0.0%
Other	0.4%	1.7%
Effective tax rate	23.1%	10.9%

The Company's deferred tax components consisted of the following at December 31, 2020:

(in thousands)	**December 31, 2020**
Deferred tax assets	
Net operating loss carryforwards	$ 57,862
Allowance for doubtful accounts	4,273
Accrued expenses	3,540
Deferred interest	11,933
Deferred revenue	4,008
Transaction costs	1,554
Tax credits	5,340
Operating lease liability	8,761
Unrealized foreign currency loss	14,149
Property and equipment	-
Other	5,687
Total deferred tax assets	117,107
Valuation allowance	(16,147)
Net deferred tax assets	100,960
Deferred tax liabilities	
Capitalized software development costs	(4,799)
Property and equipment	(1,206)
Goodwill and intangible assets	(280,157)
Deferred financing costs	-
ASC 606 commissions	(1,763)
Right-of-use asset	(7,726)
Other	(2,883)
Total deferred tax liabilities	(298,534)
Net deferred tax liability	$ (197,574)
Disclosed as	
Deferred tax asset - long-term	$ 1,850
Deferred tax liability - long-term	(199,424)
Net deferred tax liability - long-term	$ (197,574)

On December 22, 2017, the U.S. government enacted comprehensive tax legislation (the "Tax Act"), which significantly revised the ongoing U.S. corporate income tax law. The Tax Act included a provision to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries and a base erosion anti-abuse tax ("BEAT") measure that taxes certain payments between a U.S. corporation and its subsidiaries. The Company is subject to GILTI but BEAT has no current impact on the Company. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. On July 20, 2020, the final regulations on the GILTI high tax exception were released. Under the GILTI high tax exception, if a taxpayer's CFCs are taxed at a certain effective tax rate then the taxpayer can exclude the GILTI income. The Company applied the high tax exception as allowed in the Successor and Predecessor periods.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into law. The CARES Act contains modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The modifications to Section 163(j) increase the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income and allow a taxpayer to elect to use the 2019 adjusted taxable income in the computation of the 2020 limitation. These modifications allowed the Company to utilize the majority of the 163(j) deferred tax asset between 2019 and 2020.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company assessed the realizability of deferred tax assets and whether it is more likely than not that a portion, or all, of the deferred tax assets can be realized. Management considers the scheduled reversal of deferred tax liabilities and tax planning strategies in making this assessment. For the period ended December 31, 2020, management determined that a $4.9 million valuation allowance was required for US and UK disallowed interest expense. The remaining $11.4 million of the valuation allowance is related to foreign deferred tax assets consisting of primarily foreign net operating losses.

At December 31, 2020, the Company has not provided for income taxes on $14.6 million of undistributed earnings of its foreign subsidiaries, other than certain Canadian subsidiaries, as the earnings are considered permanently reinvested. As part of the Tax Act (as discussed above), the U.S. Company incurred a $6.2 million transition tax related to its Canadian subsidiaries. This amount included an estimated $1.8 million of Canadian withholding taxes on the future repatriation of cash from Canada to the U.S. The Company accrued an additional $0.5 million of Canadian withholding tax related to the GILTI inclusion of 2020. The $0.8 million of withholding tax that had been previously accrued related to the 2018 and 2019 GILTI inclusions has been reversed, as the Company determined it does not have a GILTI inclusion for 2018 and 2019 following the issuance of the final GILTI high tax exclusion regulations. The U.S. has an immaterial amount of accumulated earnings and profits and the majority of the other foreign jurisdictions can generally distribute their earnings to the Company without additional taxation. Accordingly, the Company has determined that the deferred tax liability associated with a distribution of the undistributed earnings would be immaterial.

As of December 31, 2020, the Company has net operating loss carryforwards for federal and state tax purposes of approximately $158.5 million and $2.6 million, respectively, which will expire between 2032 and 2040 except for $51.0 million of the federal net operating loss carryforward which can be carried forward indefinitely. The Company has foreign net operating losses of $105.5 million of which the majority do not expire. Certain of the Company's federal and state NOL carryforwards are subject to annual limitations under Section 382 of Internal Revenue Code. Based on the purchase price for the U.S. companies as part of the acquisition of Cision Ltd., the limitations imposed under Section 382 will not preclude the Company from realizing these NOLs.

The Company recognizes the effects of uncertain income tax positions only if those positions are more likely than not of being sustained. The Company has recorded a liability for uncertain tax positions associated primarily with 163(j), NOLs, tax credits and transfer pricing in the amount of $3.9 million as of December 31, 2020.

The Company does not expect unrecognized tax benefits to change significantly over the next twelve months. The Company recognizes interest and penalties related to uncertain tax positions in the consolidated financial statements as a component of the income tax provision. As of December 31, 2020, no accrual for interest and penalties was established as the Company's uncertain tax positions are presented as a reduction to the deferred tax assets to which they correspond. The current year decrease of $24.9 million is primarily a result of the company arriving at a more likely than not position regarding the 163(j) position from the 2018 U.S federal tax return and French NOLs, as well as the closing of the statute of limitations on other positions. The Company files income tax returns in the U.S. and various states, the United Kingdom, Canada, France, Germany and other foreign jurisdictions and is subject to U.S. federal, state, and foreign tax examinations for years ranging from 2014 to 2020.

11. Commitments and Contingencies

Purchase Commitments
The Company entered into agreements with various vendors in the ordinary course of business. As of December 31, 2020, the minimum required payments in future years under these arrangements are as follows:

(in thousands)

Year ended December 31,		
2021	$	26,546
2022		24,620
2023		22,344
2024		22,901
Thereafter		5,886
	$	102,297

Letters of Credit
As of December 31, 2020, the Company had a total of $1.4 million in letters of credit outstanding for certain of its office spaces. These letters of credit do not require compensating balances and expire at various dates through March 2031.

Litigation and Claims
The Company from time to time is subject to lawsuits, investigations and claims arising out of the ordinary course of business, including those related to commercial transactions, contracts, government regulation, and employment matters. In the opinion of management, based on all known facts, all such matters are either without merit or are of such kind, or involve such amounts that would not have a material effect on the financial position or results of operations of the Company if disposed of unfavorably.

12. Related Party Transactions

Under a corporate advisory services agreement with Platinum Equity Advisors, LLC ("Advisors"), an affiliate of Platinum Equity, LLC, the Company pays a fee for management services provided by

Advisors and reimburses Advisors for expenses incurred in the provision of such services. Expenses recorded under this agreement for the period from Inception through December 31, 2020 (Successor) and January 1, 2020 to January 31, 2020 (Predecessor), were and $4.7 million, and $0 respectively, which are included in general and administrative expense within the Statement of Operations and Comprehensive Loss. The Company also paid Advisors an additional $50.0 million of transaction fees, of which $25.1 million related to acquisition expenses and were recorded in general and administrative expenses in the consolidated statement of operations and comprehensive income, and $24.9 million that qualified as debt issuance costs and is recorded as a reduction of long term debt.

On February 28, 2020, the Company executed a $10.0 million revolving receivable note (“2020 Intercompany Revolving Note”) with Castle Intermediate Holding Company, an affiliate. Interest on the unpaid principal amount accrues at a rate equal to the applicable Federal Rate until paid in full or until the occurrence of an event of default, as defined in the 2020 Intercompany Revolving Note. The principal amount of the 2020 Intercompany Revolving Note, plus all accrued but unpaid interest, shall be due on February 28, 2023. As of December 31, 2020, the Company was due $4.9 million on the 2020 Intercompany Revolving Note which includes principal and interest and was recorded in other current assets on the consolidated balance sheet. The applicable interest on the 2020 Intercompany Revolving Note was 1.58% per annum.

13. Equity-based Compensation

During 2020, the Company, adopted the Castle Intermediate Holding V Limited 2020 Participation Plan (the “Plan”) for the benefit of certain key employees of Castle Intermediate Holding V Limited and its subsidiaries. Performance Units granted and vested under the Plan only become eligible to receive amounts under the Plan (“Payment Eligible” or “Payment Eligibility”) upon a Qualifying Event (as such terms are defined in the Plan), subject to the terms and conditions of the Plan. As of December 31, 2020, no Performance Units are Payment Eligible, and no compensation expense has been recognized. Payment Eligibility will occur, and the compensation expense will be recognized, when it is probable the performance condition will be met.

Equity-based compensation is classified in the consolidated statements of operations in a manner consistent with the statements of operations’ classification of an employee’s salary and benefits as follows the period from January 1, 2020 to January 31, 2020 (Predecessor):

(in thousands)	Predecessor **January 1, 2020 to January 31, 2020**
Cost of revenue	$ 48
Selling and marketing	121
Research and development	1,057
General and administrative	12,293
Total equity-based compensation expense	$ 13,519

The 2017 Omnibus Incentive Plan

The equity-based compensation for the predecessor period was issued under the 2017 Omnibus Incentive Plan (the “2017 Plan”). The 2017 Plan provides for grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing consulting or advisory services for the Company, are eligible for grants under the 2017 Plan.

The 2017 Plan, as amended, reserved up to 9,100,000 shares of common stock of the Company for issuance in accordance with the plan's terms, subject to certain adjustments. The purpose of the plan is to provide the Company's officers, directors, employees and consultants who, by their position, ability and diligence are able to make important contributions to the Company's growth and profitability, with an incentive to assist the Company in achieving its long-term corporate objectives, to attract and retain executive officers and other employees of outstanding competence and to provide such persons with an opportunity to acquire an equity interest in the Company. Stock options are granted with an exercise price equal to the market value of the Company's common stock at the grant date and generally vest over four years based upon continuous service and expire ten years from the grant date. Restricted stock units are granted with an exercise price equal to the market value of the Company's common stock at the time of grant. Conditions of the performance-based restricted stock units are based on achievement of pre-established performance goals and objectives within the next year and vest over four years based on continuing employment. Conditions of the performance-based stock options are also based on achievement of pre-established performance goals and objectives within the next year, vest over four years based on continuing employment, and have an expiration of ten years.

The Company estimated the fair value of employee stock options using the Black-Scholes option pricing model.

Stock Options

For the period from January 1, 2020 to January 31, 2020 (Predecessor) there were no stock options granted, exercised or forfeited. Options outstanding and vested as of January 31, 2020 were 2,028,219 and 366,063. Each vested option as of January 31, 2020 was converted into the right to receive $10 per share price less the exercise price per share as part of the acquisition of Cision Ltd. Each unvested option was converted into deferred cash consideration as part of the acquisition of Cision Ltd. based on the number of unvested options as of January 31, 2020 and the excess of the $10 per share price over the applicable exercise price. The exercise price for each vested and unvested option was greater than the $10 per share price and therefore no cash consideration or deferred cash consideration was accounted for these awards.

Restricted Stock Units

For the period from January 1, 2020 to January 31, 2020 (Predecessor) there were no restricted stock units granted, exercised or forfeited, and 240,750 vested. Restricted stock units outstanding and vested as of January 31, 2020 were 4,156,417 and 2,197,276, respectively. Included in the vested shares was 1,717,052 shares with accelerated vesting upon change of control as well as 133,000 shares of cash-settled restricted stock units which were classified as other liabilities which accelerated vesting upon change of control.

Each vested restricted stock unit as of January 31, 2020 was converted into the right to receive the $10 per share price as part of the acquisition of Cision Ltd. Each unvested restricted stock unit was converted into deferred cash consideration as part of the acquisition of Cision Ltd. based on the number of unvested restricted stock units as of January 31, 2020 at $10 per share price. The deferred cash consideration plan will be paid out in accordance with the original equity awards vesting schedule subject to the option holders continued employment with the Company. For the period from inception to December 31, 2020 (Successor), the Company recorded $2.3 million compensation expense in connection with the deferred cash consideration plan. The associated liability as of December 31,2020, is $1.5 million.

14. Subsequent Events

The Company has evaluated subsequent events through May 12, 2021, the date on which these financial statements were issued.

On March 5, 2021, the Company announced the acquisition of Brandwatch. The purchase price will be approximately $450 million and is expected to close during the second quarter of 2021 with cash and equity as consideration. The cash portion of the consideration will be funded with a combination of cash on hand and $295 million of additional borrowings under the 2020 Credit Facilities. This acquisition enhances Cision’s social media offerings with deep social listening and complements its existing press release and consumer intelligence business. At the date of the acquisition, Brandwatch has over 500 employees with offices in England, France, Spain, Germany, Singapore, Australia, and the United States.