

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly reporting period ended September 30, 2024

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 001-38467

dayforce

Dayforce, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

46-3231686
(I.R.S. Employer
Identification Number)

**3311 East Old Shakopee Road
Minneapolis, Minnesota 55425
(952) 853-8100**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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, \$0.01 par value	DAY	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of October 23, 2024, there were 157.7 million shares of common stock, par value of \$0.01 per share, outstanding.

Dayforce, Inc.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") contains, or incorporates by reference, not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act") and that are subject to the safe harbor created by those sections. Forward-looking statements include, without limitation, statements concerning the conditions of the human capital management solutions industry and our operations, performance, and financial condition, and include, in particular, statements relating to our business, growth strategies, product development efforts, and future expenses. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "seek," "believe," "estimate," "expect," "assume," "project," "could," "continue," "likely," "may," "will," "should," and similar references to future periods, or by the inclusion of forecasts or projections.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Consequently, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national, or global political, economic, business, competitive, market, and regulatory conditions. In particular:

- our inability to maintain our high Cloud solutions growth rate, manage our domestic and international growth effectively, or execute on our growth strategy;
- the impact of disruptions to the movement of funds to initiate payroll-related transactions on behalf of customers;
- our failure to manage our aging technical infrastructure;
- system breaches, interruptions or failures, including cyber-security breaches, identity theft, or other disruptions that could compromise customer information or sensitive company information, including our ongoing consent order with the Federal Trade Commission regarding data protection;
- our failure to comply with applicable privacy, data protection, information security, and financial services laws, regulations and standards;
- our inability to successfully compete in the markets in which we operate and expand our current offerings into new markets or further penetrate existing markets due to competition;
- our failure to properly update our solutions to enable our customers to comply with applicable laws;
- our failure to provide new or enhanced functionality and features, including those that may involve artificial intelligence or machine learning;
- our inability to maintain necessary third-party relationships, and third-party software licenses, and identify errors in the software we license;
- our inability to offer and deliver high-quality technical support, implementation, and professional services;
- our inability to attract and retain senior management employees and highly skilled employees;
- the impact of our outstanding debt obligations on our financial condition, results of operations, and value of our common stock;
- our ability to maintain effective internal control over financial reporting, and the effect of the existing material weakness in our internal control over financial reporting on our business, financial condition, and results of operations; or
- the impact of adverse economic and market conditions on its business, operating results, or financial condition.

Please refer to Part II, Item IA, "Risk Factors" of this Form 10-Q and Part I, Item IA, "Risk Factors" of our most recently filed Annual Report on Form 10-K, for the year ended December 31, 2023 ("2023 Form 10-K"), for a further description of these and other factors. Although we have attempted to identify important risk factors, there may be other risk factors not presently known to us or that we presently believe are not material that could cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. If any of these risks materialize, or if any of the above assumptions underlying forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. For the reasons described above, we caution against relying on any forward-looking statements. Any forward-looking statement made by us in this Form 10-Q speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or to revise any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as may be required by law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should be viewed as historical data.

Investors and others should note that we have in the past announced, and expect in the future to continue to announce, material business and financial information to our investors using our investor relations website (www.investors.dayforce.com), our filings and furnishings with the Securities and Exchange Commission (“SEC”), webcasts, press releases, conference calls, and other channels of distribution that are compliant with SEC regulations.

In the future, we may also announce material business and financial information to our investors using our corporate X (formerly known as Twitter) account (@Dayforce), our blog (www.dayforce.com/blog), and our corporate LinkedIn account (www.linkedin.com/company/dayforce). We use these mediums, including our website, to communicate with investors and the general public about us, our products, and other issues. It is possible that the information that we make available on these mediums may be deemed to be material information. We therefore encourage investors and others interested in us to review the information that we make available through these channels.

PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dayforce, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2024	December 31, 2023
<i>(In millions, except per share data)</i>		
Assets		
Current assets:		
Cash and equivalents	\$ 494.1	\$ 570.3
Restricted cash	—	0.8
Trade and other receivables, net	255.8	228.8
Prepaid expenses and other current assets	153.3	126.7
Total current assets before customer funds	903.2	926.6
Customer funds	4,000.7	5,028.6
Total current assets	4,903.9	5,955.2
Right of use lease assets, net	14.7	19.1
Property, plant, and equipment, net	228.3	210.1
Goodwill	2,394.5	2,293.9
Other intangible assets, net	228.3	230.2
Deferred sales commissions	215.6	192.1
Other assets	131.7	110.3
Total assets	\$ 8,117.0	\$ 9,010.9
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 7.3	\$ 7.6
Current portion of long-term lease liabilities	6.0	7.0
Accounts payable	73.1	66.7
Deferred revenue	42.7	40.2
Employee compensation and benefits	77.9	92.9
Other accrued expenses	66.3	30.4
Total current liabilities before customer funds obligations	273.3	244.8
Customer funds obligations	4,004.6	5,090.1
Total current liabilities	4,277.9	5,334.9
Long-term debt, less current portion	1,209.9	1,210.1
Employee benefit plans	25.0	27.7
Long-term lease liabilities, less current portion	14.0	18.9
Other liabilities	34.2	21.1
Total liabilities	5,561.0	6,612.7
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, \$0.01 par, 500.0 shares authorized, 157.8 and 156.3 shares issued and outstanding, respectively	1.6	1.6
Additional paid in capital	3,291.5	3,151.1
Accumulated deficit	(340.5)	(317.8)
Accumulated other comprehensive loss	(396.6)	(436.7)
Total stockholders' equity	2,556.0	2,398.2
Total liabilities and stockholders' equity	\$ 8,117.0	\$ 9,010.9

See accompanying notes to condensed consolidated financial statements.

Dayforce, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(In millions, except per share data)</i>				
Revenue:				
Recurring	\$ 375.9	\$ 325.4	\$ 1,123.6	\$ 958.2
Professional services and other	64.1	52.1	171.2	155.8
Total revenue	440.0	377.5	1,294.8	1,114.0
Cost of revenue:				
Recurring	87.4	80.5	265.1	239.4
Professional services and other	75.1	66.1	210.8	197.0
Product development and management	55.4	53.3	166.8	153.5
Depreciation and amortization	20.8	17.1	58.6	47.4
Total cost of revenue	238.7	217.0	701.3	637.3
Gross profit	201.3	160.5	593.5	476.7
Selling and marketing	86.4	61.8	248.5	177.5
General and administrative	94.1	72.2	269.4	204.9
Operating profit	20.8	26.5	75.6	94.3
Interest expense, net	8.8	8.9	33.2	27.2
Other (income) expense, net	(6.3)	5.1	5.7	6.6
Income before income taxes	18.3	12.5	36.7	60.5
Income tax expense	16.3	16.3	29.4	51.3
Net income (loss)	<u>\$ 2.0</u>	<u>\$ (3.8)</u>	<u>\$ 7.3</u>	<u>\$ 9.2</u>
Net income (loss) per share:				
Basic	\$ 0.01	\$ (0.02)	\$ 0.05	\$ 0.06
Diluted	\$ 0.01	\$ (0.02)	\$ 0.05	\$ 0.06
Weighted average shares outstanding:				
Basic	158.1	155.7	157.6	155.0
Diluted	159.7	155.7	159.9	158.2

See accompanying notes to condensed consolidated financial statements.

Dayforce, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In millions)				
Net income (loss)	\$ 2.0	\$ (3.8)	\$ 7.3	\$ 9.2
Items of other comprehensive income (loss) before income taxes:				
Change in foreign currency translation adjustment	18.1	(19.0)	(9.4)	(12.3)
Change in unrealized loss from invested customer funds	58.6	(6.8)	58.3	(1.5)
Change in pension liability adjustment	2.8	1.5	8.8	4.5
Other comprehensive income (loss) before income taxes	79.5	(24.3)	57.7	(9.3)
Income tax expense (benefit), net	16.1	(1.4)	17.6	0.8
Other comprehensive income (loss) after income taxes	63.4	(22.9)	40.1	(10.1)
Comprehensive income (loss)	<u>\$ 65.4</u>	<u>\$ (26.7)</u>	<u>\$ 47.4</u>	<u>\$ (0.9)</u>

See accompanying notes to condensed consolidated financial statements.

Dayforce, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(In millions)	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Equity
	Shares	\$				
Balance as of December 31, 2023	156.3	\$ 1.6	\$3,151.1	\$ (317.8)	\$ (436.7)	\$ 2,398.2
Net income	—	—	—	7.1	—	7.1
Issuance of common stock under share-based compensation plans	1.6	—	15.3	—	—	15.3
Share-based compensation	—	—	38.0	—	—	38.0
Foreign currency translation	—	—	—	—	(22.7)	(22.7)
Change in unrealized loss, net of tax of (\$1.9)	—	—	—	—	(5.5)	(5.5)
Change in pension liability adjustment, net of tax of \$0.8	—	—	—	—	2.4	2.4
Balance as of March 31, 2024	157.9	\$ 1.6	\$3,204.4	\$ (310.7)	\$ (462.5)	\$ 2,432.8
Net loss	—	—	—	(1.8)	—	(1.8)
Issuance of common stock under share-based compensation plans	1.9	—	1.5	—	—	1.5
Share-based compensation	—	—	40.8	—	—	40.8
Foreign currency translation	—	—	—	—	(4.8)	(4.8)
Change in unrealized loss, net of tax of \$1.9	—	—	—	—	5.2	5.2
Change in pension liability adjustment, net of tax of \$0.7	—	—	—	—	2.1	2.1
Balance as of June 30, 2024	159.8	\$ 1.6	\$3,246.7	\$ (312.5)	\$ (460.0)	\$ 2,475.8
Net income	—	—	—	2.0	—	2.0
Net issuance of common stock under share-based compensation plans	(1.5)	—	5.2	—	—	5.2
Repurchases of common stock	(0.5)	—	—	(30.0)	—	(30.0)
Share-based compensation	—	—	39.6	—	—	39.6
Foreign currency translation	—	—	—	—	18.1	18.1
Change in unrealized loss, net of tax of \$15.4	—	—	—	—	43.2	43.2
Change in pension liability adjustment, net of tax of \$0.7	—	—	—	—	2.1	2.1
Balance as of September 30, 2024	157.8	\$ 1.6	\$3,291.5	\$ (340.5)	\$ (396.6)	\$ 2,556.0

(In millions)	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Equity
	Shares	\$				
Balance as of December 31, 2022	153.9	\$ 1.5	\$2,965.5	\$ (372.6)	\$ (485.0)	\$ 2,109.4
Net income	—	—	—	9.9	—	9.9
Issuance of common stock under share-based compensation plans	1.1	0.1	14.7	—	—	14.8
Share-based compensation	—	—	40.2	—	—	40.2
Foreign currency translation	—	—	—	—	1.2	1.2
Change in unrealized loss, net of tax of (\$6.3)	—	—	—	—	17.6	17.6
Change in pension liability adjustment, net of tax of (\$0.4)	—	—	—	—	1.1	1.1
Balance as of March 31, 2023	155.0	\$ 1.6	\$3,020.4	\$ (362.7)	\$ (465.1)	\$ 2,194.2
Net income	—	—	—	3.1	—	3.1
Issuance of common stock under share-based compensation plans	0.5	—	8.5	—	—	8.5
Share-based compensation	—	—	41.5	—	—	41.5
Foreign currency translation	—	—	—	—	5.5	5.5
Change in unrealized loss, net of tax of \$4.9	—	—	—	—	(13.7)	(13.7)
Change in pension liability adjustment, net of tax of (\$0.4)	—	—	—	—	1.1	1.1
Balance as of June 30, 2023	155.5	\$ 1.6	\$3,070.4	\$ (359.6)	\$ (472.2)	\$ 2,240.2
Net loss	—	—	—	(3.8)	—	(3.8)
Issuance of common stock under share-based compensation plans	0.5	—	17.1	—	—	17.1
Share-based compensation	—	—	36.3	—	—	36.3
Foreign currency translation	—	—	—	—	(19.0)	(19.0)
Change in unrealized loss, net of tax of \$1.8	—	—	—	—	(5.0)	(5.0)
Change in pension liability adjustment, net of tax of (\$0.4)	—	—	—	—	1.1	1.1
Balance as of September 30, 2023	156.0	\$ 1.6	\$3,123.8	\$ (363.4)	\$ (495.1)	\$ 2,266.9

See accompanying notes to condensed consolidated financial statements.

Dayforce, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 7.3	\$ 9.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax (benefit) expense	(27.5)	13.9
Depreciation and amortization	151.5	84.1
Amortization of debt issuance costs and debt discount	3.2	3.3
Loss on debt extinguishment	4.3	—
Provision for doubtful accounts	4.7	4.2
Net periodic pension and postretirement cost	7.6	0.9
Share-based compensation expense	118.4	118.0
Change in fair value of contingent consideration	9.0	11.8
Other	(1.2)	0.3
Changes in operating assets and liabilities, excluding effects of acquisitions:		
Trade and other receivables	(26.2)	(62.0)
Prepaid expenses and other current assets	(4.5)	(20.1)
Deferred sales commissions	(22.9)	(25.9)
Accounts payable and other accrued expenses	5.9	8.5
Deferred revenue	(6.5)	7.5
Employee compensation and benefits	(16.1)	(23.2)
Accrued taxes	22.5	11.0
Payment of contingent consideration	(20.9)	—
Other assets and liabilities	(8.5)	(11.9)
Net cash provided by operating activities	200.1	129.6
Cash flows from investing activities		
Purchases of customer funds marketable securities	(483.2)	(252.0)
Proceeds from sale and maturity of customer funds marketable securities	283.4	326.4
Purchases of marketable securities	(10.0)	—
Proceeds from sale and maturity of marketable securities	7.6	—
Expenditures for property, plant, and equipment	(8.7)	(15.4)
Expenditures for software and technology	(74.1)	(72.9)
Acquisition costs, net of cash acquired	(173.1)	—
Other	—	(1.0)
Net cash used in investing activities	(458.1)	(14.9)
Cash flows from financing activities		
(Decrease) increase in customer funds obligations, net	(1,049.9)	311.0
Proceeds from issuance of common stock under share-based compensation plans	22.0	40.3
Repurchases of common stock	(28.8)	—
Proceeds from debt issuance	650.0	—
Repayment of long-term debt obligations	(646.5)	(6.0)
Payment of debt refinancing costs	(11.4)	—
Payment of contingent consideration	(3.0)	—
Net cash (used in) provided by financing activities	(1,067.6)	345.3
Effect of exchange rate changes on cash, restricted cash, and equivalents	(18.2)	5.1
Net (decrease) increase in cash, restricted cash, and equivalents	(1,343.8)	465.1
Cash, restricted cash, and equivalents at beginning of period	3,421.4	3,151.2
Cash, restricted cash, and equivalents at end of period	\$ 2,077.6	\$ 3,616.3
Reconciliation of cash, restricted cash, and equivalents to the condensed consolidated balance sheets		
Cash and equivalents	\$ 494.1	\$ 510.3
Restricted cash	—	0.8
Restricted cash and equivalents included in customer funds	1,583.5	3,105.2
Total cash, restricted cash, and equivalents	\$ 2,077.6	\$ 3,616.3

See accompanying notes to condensed consolidated financial statements.

Dayforce, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization

Dayforce, Inc. and its direct and indirect subsidiaries (also referred to in this report as “we,” “our,” “us,” or the “Company”) offer a broad range of services and software designed to help employers more effectively manage employment processes, such as payroll, payroll-related tax filing, human resource information systems, employee self-service, time and labor management, employee assistance programs, and recruitment and applicant screening. Our technology-based services are typically provided through long-term customer relationships that result in a high level of recurring revenue. While we operate in 19 countries globally, our operations are primarily located in the United States and Canada.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. The accounting policies we follow are set forth in Part II, Item 8, Note 2, “Summary of Significant Accounting Policies,” to our audited consolidated financial statements in our [2023 Form 10-K](#). The following notes should be read in conjunction with these policies and other disclosures in our 2023 Form 10-K.

In the opinion of management, the unaudited condensed consolidated financial statements contained herein reflect all adjustments (consisting only of normal recurring adjustments, except as set forth in these notes to the condensed consolidated financial statements) necessary to present fairly in all material respects the financial position, results of operations, comprehensive income (loss), and cash flows from all periods presented. Interim results are not necessarily indicative of results for a full year.

Recently Issued and Adopted Accounting Pronouncements from the Financial Accounting Standards Board

There were no recently adopted accounting standards that had a material effect on our condensed consolidated financial statements and accompanying disclosures, and no recently issued accounting standards that are expected to have a material impact on our condensed consolidated financial statements and accompanying disclosures.

3. Business Combinations

On February 1, 2024, we completed the purchase of 100% of the outstanding shares of eloomi A/S (“eloomi”), a learning experience platform software provider based in Copenhagen, Denmark, and Orlando, Florida.

The purchase accounting has not been finalized as of September 30, 2024, with provisional amounts related to intangible assets, including goodwill, and tax positions. Intangible assets recorded for this acquisition consist of \$85.2 million of developed technology and \$1.8 million of customer relationships. The goodwill arising from the eloomi acquisition is primarily attributable to the potential to achieve synergies and other cost savings through integration with our existing operations. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The major classes of assets and liabilities to which we have preliminarily allocated the purchase price were as follows:

	(In millions)
Cash and equivalents	\$ 6.5
Trade receivables, prepaid expenses, and other current assets	4.6
Goodwill	109.1
Other intangible assets	87.0
Other assets	0.6
Accounts payable and accrued liabilities	(3.9)
Deferred revenue	(8.6)
Deferred tax liability	(15.7)
Total purchase price	<u>\$ 179.6</u>

4. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our financial assets and liabilities measured at fair value on a recurring basis were categorized as follows:

	September 30, 2024			Total
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Available for sale customer funds assets	\$ —	\$ 2,417.2 (a)	\$ —	\$ 2,417.2
Total assets measured at fair value	\$ —	\$ 2,417.2	\$ —	\$ 2,417.2
Liabilities				
DataFuzion contingent consideration	\$ —	\$ —	\$ — (b)	\$ —
Total liabilities measured at fair value	\$ —	\$ —	\$ —	\$ —
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Assets				
Available for sale customer funds assets	\$ —	\$ 2,178.3 (a)	\$ —	\$ 2,178.3
Total assets measured at fair value	\$ —	\$ 2,178.3	\$ —	\$ 2,178.3
Liabilities				
DataFuzion contingent consideration	\$ —	\$ —	\$ 14.9 (b)	\$ 14.9
Total liabilities measured at fair value	\$ —	\$ —	\$ 14.9	\$ 14.9

(a) Fair value is based on inputs that are observable for the asset or liability, other than quoted prices.

(b) For the contingent consideration related to the 2021 acquisition of certain assets and liabilities of DataFuzion HCM, Inc. ("DataFuzion"), we utilized a Monte Carlo simulation model to estimate the fair value of the contingent liability as of the reporting dates. As of December 31, 2023, our condensed consolidated balance sheet included \$8.6 million within other accrued expenses and \$6.3 million within other liabilities, respectively, related to this contingent consideration.

Due to the remeasurement of the DataFuzion contingent consideration, we recognized expense of \$9.0 million for the three and nine months ended September 30, 2024, and we recognized expense of \$4.6 million and \$11.8 million for the three and nine months ended September 30, 2023, respectively, within general and administrative expense in our condensed consolidated statements of operations. In August 2024, we made a payment of \$23.9 million related to this liability.

Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

During the nine months ended September 30, 2024, assets acquired and liabilities assumed as part of the business combination and liabilities recognized as part of our debt issuance have been measured at fair value on a nonrecurring basis. During the year ended December 31, 2023, we did not re-measure any financial assets or liabilities at fair value on a nonrecurring basis.

5. Customer Funds

Overview

In certain jurisdictions, we collect funds for payment of payroll and taxes; temporarily hold such funds until payment is due; remit the funds to the customers' employees and appropriate taxing authorities; file federal, state, and local tax returns; and handle related regulatory correspondence and amendments. The customer assets are held in segregated accounts intended for the specific purpose of satisfying customer funding obligations and therefore are not freely available for our general business use. In the U.S. and Canada, these customer funds are held in trusts.

Our customer funds are held and invested with the primary objectives being to protect the principal balance and to ensure adequate liquidity to meet cash flow requirements. Accordingly, we maintain on average approximately 45% to 55% of customer funds in liquidity portfolios with maturities ranging from one to 120 days, consisting of high-quality bank deposits, money market mutual funds, commercial paper, or collateralized short-term investments; and we maintain on average approximately 45% to 55% of customer funds in fixed income portfolios with maturities ranging from 120 days to 10 years, consisting of U.S. Treasury and agency securities, Canada government and provincial securities, as well as highly rated asset-backed, mortgage-backed, municipal, corporate, and bank securities. To maintain sufficient liquidity to meet payment obligations, we also have financing arrangements and may pledge fixed income securities for short-term financing.

Financial Statement Presentation

Investment income from invested customer funds, also referred to as float revenue or float, is a component of our compensation for providing services under agreements with our customers. Investment income from invested customer funds included in recurring revenue was \$45.6 million and \$38.8 million for the three months ended September 30, 2024, and 2023, respectively, and \$155.2 million and \$127.5 million for nine months ended September 30, 2024, and 2023, respectively. Investment income includes interest income, realized gains and losses from sales of customer funds' investments, and unrealized credit losses determined to be unrecoverable.

The amortized cost of customer funds as of September 30, 2024, and December 31, 2023, is the original cost of assets acquired. The amortized cost and fair values of investments of customer funds available for sale were as follows:

	September 30, 2024			
	Amortized Cost	Gross Unrealized		Fair Value
		Gain	Loss	
		(In millions)		
Money market securities, investments carried at cost and other cash equivalents	\$ 1,558.7	\$ —	\$ —	\$ 1,558.7
Available for sale investments:				
U.S. government and agency securities	838.5	5.8	(20.3)	824.0
Canadian and provincial government securities	477.9	6.3	(4.4)	479.8
Corporate debt securities	745.2	11.5	(7.1)	749.6
Asset-backed securities	216.5	2.5	(1.0)	218.0
Mortgage-backed securities	68.3	1.8	(0.3)	69.8
Other short-term investments	3.7	—	—	3.7
Other securities	73.1	0.4	(1.2)	72.3
Total available for sale investments	2,423.2	28.3	(34.3)	2,417.2
Invested customer funds	3,981.9	\$ 28.3	\$ (34.3)	3,975.9
Receivables	24.0			24.8
Total customer funds	\$ 4,005.9			\$ 4,000.7

	December 31, 2023			
	Amortized Cost	Gross Unrealized		Fair Value
		Gain	Loss	
		(In millions)		
Money market securities, investments carried at cost and other cash equivalents	\$ 2,800.7	\$ —	\$ —	\$ 2,800.7
Available for sale investments:				
U.S. government and agency securities	768.3	2.3	(35.1)	735.5
Canadian and provincial government securities	448.7	1.3	(11.3)	438.7
Corporate debt securities	664.7	2.6	(19.4)	647.9
Asset-backed securities	208.9	1.0	(3.3)	206.6
Mortgage-backed securities	60.3	0.8	(0.7)	60.4
Other short-term investments	16.1	—	—	16.1
Other securities	76.2	0.1	(3.2)	73.1
Total available for sale investments	2,243.2	8.1	(73.0)	2,178.3
Invested customer funds	5,043.9	\$ 8.1	\$ (73.0)	4,979.0
Receivables	49.6			49.6
Total customer funds	\$ 5,093.5			\$ 5,028.6

The following represents the gross unrealized losses and the related fair value of the investments of customer funds available for sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	September 30, 2024					
	Less than 12 months		12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
	(In millions)					
U.S. government and agency securities	\$ (0.3)	\$ 58.0	\$ (20.0)	\$ 452.4	\$ (20.3)	\$ 510.4
Canadian and provincial government securities	—	—	(4.4)	182.1	(4.4)	182.1
Corporate debt securities	(0.1)	17.7	(7.0)	351.7	(7.1)	369.4
Asset-backed securities	—	8.0	(1.0)	74.8	(1.0)	82.8
Mortgage-backed securities	—	3.0	(0.3)	13.4	(0.3)	16.4
Other securities	—	3.5	(1.2)	56.6	(1.2)	60.1
Total available for sale investments	<u>\$ (0.4)</u>	<u>\$ 90.2</u>	<u>\$ (33.9)</u>	<u>\$1,131.0</u>	<u>\$ (34.3)</u>	<u>\$1,221.2</u>

Management does not believe that any individual unrealized loss was unrecoverable as of September 30, 2024. The unrealized losses are primarily attributable to changes in interest rates and not to credit deterioration. We currently do not intend to sell or expect to be required to sell the securities before the time required to recover the amortized cost.

The amortized cost and fair value of investment securities available for sale at September 30, 2024, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or to prepay obligations with or without call or prepayment penalties.

	September 30, 2024	
	Cost	Fair Value
	(In millions)	
Due in one year or less	\$ 1,895.7	\$ 1,893.2
Due in one to three years	965.0	948.0
Due in three to five years	812.3	819.1
Due after five years	308.9	315.6
Invested customer funds	<u>\$ 3,981.9</u>	<u>\$ 3,975.9</u>

6. Trade and Other Receivables, Net

Trade and other receivables, net, consist of the following:

	September 30, 2024	December 31, 2023
	(In millions)	
Trade receivables from customers	\$ 212.7	\$ 177.5
Interest receivable from invested customer funds	16.5	18.1
Dayforce Wallet on-demand pay receivables	12.9	19.6
Other (a)	32.3	27.6
Total gross receivables	<u>274.4</u>	<u>242.8</u>
Less: reserve for sales adjustments and allowance for doubtful accounts	<u>(18.6)</u>	<u>(14.0)</u>
Trade and other receivables, net	<u>\$ 255.8</u>	<u>\$ 228.8</u>

- (a) Other includes short-term investments not classified as cash equivalents, interest receivable, and other current receivables.

Receivables Securitization Program

In the third quarter of 2024, we entered into a receivables securitization program (the "Receivables Securitization Program") with MUFG Bank, Ltd. ("MUFG"), under which MUFG acts as an agent to facilitate the sale of certain Dayforce receivables (the "Receivables") to MUFG and certain other investors from time-to-time unaffiliated with Dayforce (the "Purchasers"). The sale of these Receivables to the Purchasers is accounted for as a sale of assets under the provisions of Accounting Standards Codification ("ASC") 860, Transfers and Servicing, and as such the Receivables are derecognized from our condensed consolidated balance sheets. We continue to service any Receivables sold to the Purchasers.

In connection with the Receivables Securitization Program, we sell certain trade and other receivables to special purpose entities (the "SPEs"), which are wholly-owned by Dayforce, which in turn sell a portion of these receivables to the Purchasers on a monthly basis. Per the terms of the Receivables Purchase Agreement ("RPA") between us and MUFG entered into in connection with the Receivables Securitization Program, we may have a maximum of \$150.0 million of accounts receivable sold to the Purchasers outstanding at any point in time. The portion of the receivables held by the SPEs, but not sold to the Purchasers, serve as collateral to the Purchasers on the sold Receivables, and are considered restricted accounts receivable. Cash receipts from the sale of Receivables to the Purchasers are reflected in net cash provided by operating activities in the condensed consolidated statements of cash flows.

As of September 30, 2024, there was \$210.9 million of restricted accounts receivable held by the SPEs that is reported within trade and other receivables, net on our condensed consolidated balance sheets. Of the Receivables sold to the Purchasers since the inception of the Receivables Securitization Program, \$30.1 million remained outstanding as of September 30, 2024.

7. Leases

Supplemental balance sheet information related to leases was as follows:

<u>Lease Type</u>	<u>Balance Sheet Classification</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>
(In millions)			
Assets			
Operating lease assets	Trade and other receivables, net	\$ 0.1	\$ 0.9
Operating lease assets	Prepaid expenses and other current assets	2.8	2.3
Operating lease assets	Right of use lease assets, net	14.7	19.1
Financing lease assets	Property, plant, and equipment, net	5.2	5.8
Total lease assets		<u>\$ 22.8</u>	<u>\$ 28.1</u>
Liabilities			
Financing lease liabilities	Current portion of long-term debt	\$ 0.8	\$ 0.8
Operating lease liabilities	Current portion of long-term lease liabilities	6.0	7.0
Financing lease liabilities	Long-term debt, less current portion	5.9	6.5
Operating lease liabilities	Long-term lease liabilities, less current portion	14.0	18.9
Total lease liabilities		<u>\$ 26.7</u>	<u>\$ 33.2</u>

The components of lease expense were as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
(In millions)				
Operating lease cost	\$ 1.8	\$ 2.1	\$ 5.1	\$ 7.0
Financing lease cost:				
Depreciation of lease assets	0.4	0.4	1.4	1.3
Interest on lease liabilities	0.1	—	0.3	0.2
Sublease income	—	(0.1)	(0.1)	(0.3)
Total lease cost, net	<u>\$ 2.3</u>	<u>\$ 2.4</u>	<u>\$ 6.7</u>	<u>\$ 8.2</u>

8. Goodwill and Other Intangible Assets, Net

Goodwill

Goodwill and changes therein were as follows:

	(In millions)
Balance at December 31, 2023	\$ 2,293.9
Translation	(8.5)
Acquisition	109.1
Balance at September 30, 2024	\$ 2,394.5

Other Intangible Assets, Net

Other intangible assets, net consisted of the following:

	September 30, 2024			
	Gross Carrying Amount	Accumulated Amortization (In millions)	Net	Weighted Average Remaining Amortization Period (In years)
Amortized - definite lived:				
Customer lists and relationships	\$ 302.9	\$ (244.3)	\$ 58.6	6.3
Trade name	177.2	(106.6)	70.6	0.8
Technology	313.5	(218.9)	94.6	8.0
Total definite-lived intangible assets	<u>\$ 793.6</u>	<u>\$ (569.8)</u>	<u>\$ 223.8</u>	<u>5.2</u>
Unamortized - indefinite lived:				
Trade name	6.4	(1.9)	4.5	n/a
Total other intangible assets	<u>\$ 800.0</u>	<u>\$ (571.7)</u>	<u>\$ 228.3</u>	<u>n/a</u>
	December 31, 2023			
	Gross Carrying Amount	Accumulated Amortization (In millions)	Net	Weighted Average Remaining Amortization Period (In years)
Amortized - definite lived:				
Customer lists and relationships	\$ 302.3	\$ (239.5)	\$ 62.8	6.6
Trade name	177.1	(39.9)	137.2	1.6
Technology	227.5	(201.8)	25.7	2.3
Total definite-lived intangible assets	<u>\$ 706.9</u>	<u>\$ (481.2)</u>	<u>\$ 225.7</u>	<u>3.2</u>
Unamortized - indefinite lived:				
Trade name	6.5	(2.0)	4.5	n/a
Total other intangible assets	<u>\$ 713.4</u>	<u>\$ (483.2)</u>	<u>\$ 230.2</u>	<u>n/a</u>

Amortization expense related to definite-lived intangible assets was \$29.6 million and \$20.5 million for the three months ended September 30, 2024, and 2023, respectively, and \$87.5 million and \$32.7 million for the nine months ended September 30, 2024, and 2023, respectively.

9. Debt

Overview

Our debt obligations consisted of the following:

	September 30, 2024	December 31, 2023
	(In millions)	
2018 Term Debt, interest rate of 8.0% as of December 31, 2023	\$ —	\$ 644.3
2024 Term Debt, interest rate of 7.3% as of September 30, 2024	648.4	—
2018 Revolving Credit Facility (\$300.0 million available capacity less \$1.3 million as of December 31, 2023, reserved for letters of credit)	—	—
2024 Revolving Credit Facility (\$350.0 million available capacity less \$0.2 million as of September 30, 2024, reserved for letters of credit)	—	—
Convertible Senior Notes, interest rate of 0.25%	575.0	575.0
Line of Credit (\$1.1 million and \$0.5 million letter of credit capacity, respectively, which were fully utilized)	—	—
Financing lease liabilities (Note 7)	6.7	7.3
Total debt	1,230.1	1,226.6
Less unamortized debt issuance costs and discount	12.9	8.9
Less current portion of long-term debt	7.3	7.6
Long-term debt, less current portion	<u>\$ 1,209.9</u>	<u>\$ 1,210.1</u>

Accrued interest and fees related to the debt obligations was \$0.7 million and \$0.9 million as of September 30, 2024 and December 31, 2023, respectively, and is included within other accrued expenses in our condensed consolidated balance sheets.

2018 Senior Secured Credit Facility

On April 30, 2018, we entered into a credit agreement. Pursuant to the terms of the new credit agreement, we became borrower of (i) a \$680.0 million term loan debt facility (the “2018 Term Debt”) and (ii) a \$300.0 million revolving credit facility (the “2018 Revolving Credit Facility”, and collectively with the 2018 Term Debt, the “2018 Senior Secured Credit Facility”). Our obligations under the Senior Secured Credit Facility are secured by first priority security interests in substantially all of our assets and the domestic subsidiary guarantors, subject to permitted liens and certain exceptions.

The 2018 Term Debt and 2018 Revolving Credit Facility were set to mature on April 30, 2025 and January 29, 2025, respectively. We were required to make annual amortization payments in respect of the Term Debt in an amount equal to 1.00% of the original principal amount thereof, payable in equal quarterly installments of 0.25% of the original principal amount of the first lien term debt. The 2018 Revolving Credit Facility did not require amortization payments. We repaid in full the 2018 Senior Secured Credit Facility in connection with our debt refinancing completed in February 2024.

2024 Senior Secured Credit Facility

On February 29, 2024, we completed the refinancing of our 2018 Senior Secured Credit Facility by entering into a new credit agreement. Pursuant to the terms of the new credit agreement, we became the borrower of (i) a \$650.0 million senior secured term loan facility (the “2024 Term Debt”) and (ii) a \$350.0 million senior secured revolving credit facility (the “2024 Revolving Credit Facility”, and collectively, with the 2024 Term Debt, the “2024 Senior Secured Credit Facility”). The 2024 Term Debt and the 2024 Revolving Credit Facility will mature on March 1, 2031 and March 1, 2029, respectively. The 2024 Senior Secured Credit Facility replaced the 2018 Senior Secured Credit Facility, and we repaid in full all outstanding obligations under the 2018 Senior Secured Credit Facility on February 29, 2024. Our obligations under the 2024 Senior Secured Credit Facility are secured by a lien on substantially all of our assets, as well as guarantees and pledged assets by our domestic subsidiaries, subject to certain exceptions.

The 2024 Term Debt is subject to amortization of principal, payable in equal quarterly installments on the last day of each fiscal quarter, commencing on September 30, 2024, with 0.25% of the aggregate principal amount of all initial term loans outstanding at closing to be payable each quarter prior to the maturity date of the 2024 Term Debt. The remaining initial aggregate principal amount will be payable at the maturity date of the 2024 Term Debt. The 2024 Term Debt bears interest at rates based upon, at our option, either (i) a base rate plus an applicable percentage of 1.5% or (ii) a term Secured Overnight Financing Rate (“SOFR”) plus an applicable percentage of 2.5%.

The 2024 Revolving Credit Facility bears interest at rates based upon, at our option, either (i) the base rate or the Canadian prime rate, as applicable, plus an applicable percentage of between 1.25% and 1.75% per annum, depending on our consolidated first lien leverage ratio or (ii) the term SOFR rate or the Canadian Overnight Repo Rate Average ("CORRA") rate plus an applicable percentage of between 2.25% and 2.75% per annum, depending on our consolidated first lien leverage ratio.

In connection with the refinancing of our debt, we capitalized \$7.5 million of additional financing costs and recognized a loss on debt extinguishment of \$4.3 million within interest expense, net in our condensed consolidated statements of operations for the nine months ended September 30, 2024.

The 2024 Senior Secured Credit Facility documents contain a requirement that we maintain a ratio of first lien net leverage to Credit Facility EBITDA below specified levels on a quarterly basis; however, such requirement is applicable only if more than 35% of the 2024 Revolving Credit Facility is utilized. As of September 30, 2024, no portion of the 2024 Revolving Credit Facility was utilized.

Convertible Senior Notes

In March 2021, we issued \$575.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due 2026 in a private offering to qualified institutional buyers pursuant to Rule 144A promulgated under the Securities Act, and pursuant to exemptions from the prospectus requirements of applicable Canadian securities laws, including the exercise in full by the initial purchasers of their option to purchase an additional \$75.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due 2026 (collectively, the "Convertible Senior Notes"). The Convertible Senior Notes bear interest at a rate of 0.25% per year and interest is payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2021. The Convertible Senior Notes mature on March 15, 2026, unless earlier converted, redeemed, or repurchased. The total net proceeds from the offering, after deducting initial purchase discounts and other debt issuance costs, were \$561.8 million.

The following table presents details of the Convertible Senior Notes:

	<u>Initial Conversion Rate per \$1,000 Principal</u>	<u>Initial Conversion Price per Share</u>
Convertible Senior Notes	7.5641 shares	\$ 132.20

The Convertible Senior Notes will be convertible at the option of the holders at any time only under certain circumstances as outlined in Part II, Item 8, Note 9, "Debt," to our audited consolidated financial statements in our [2023 Form 10-K](#). The conditions allowing holders of the Convertible Senior Notes to convert have not been met and therefore were not convertible as of September 30, 2024.

On December 30, 2021, we notified the holders of the Convertible Senior Notes of our irrevocable election to settle the conversion obligation in connection with the Convertible Senior Notes submitted for conversion on or after January 1, 2022, or at maturity with a combination of cash and shares of our common stock. Generally, under this settlement method, the conversion value will be settled in cash in an amount no less than the principal amount being converted, and any excess of the conversion value over the principal amount will be settled, at our election, in cash or shares of common stock.

The Convertible Senior Notes are accounted for as a single liability, and the carrying amount of the Convertible Senior Notes was \$570.4 million as of September 30, 2024, with principal of \$575.0 million, net of issuance costs of \$4.6 million. The Convertible Senior Notes are included within long-term debt, less current portion in our condensed consolidated balance sheets as of September 30, 2024. The issuance costs related to the Convertible Senior Notes are being amortized to interest expense over the contractual term of the Convertible Senior Notes at an effective interest rate of 5.1%.

Interest expense recognized related to the Convertible Senior Notes was as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended</u>	
	<u>2024</u>	<u>2023</u>	<u>September 30,</u>	
			<u>2024</u>	<u>2023</u>
	(Dollars in millions)			
Contractual interest expense	\$ 0.4	\$ 0.4	\$ 1.1	\$ 1.1
Amortization of debt issuance costs	0.7	0.7	2.2	2.1
Total	<u>\$ 1.1</u>	<u>\$ 1.1</u>	<u>\$ 3.3</u>	<u>\$ 3.2</u>

Capped Calls

In March 2021, in connection with the pricing of the Convertible Senior Notes, we entered into capped call transactions with the option counterparties (the “Capped Calls”). The Capped Calls each have an initial strike price of \$132.20 per share, and an initial cap price of \$179.26 per share, both subject to certain adjustments. The capped call transactions are generally expected to reduce potential dilution to our common stock upon any conversion of the Convertible Senior Notes and/or offset any potential cash payments we would be required to make in excess of the principal amount of converted Convertible Senior Notes, as the case may be, with such reduction and/or offset subject to a cap based on the cap price. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the Convertible Senior Notes. As the Capped Calls qualify for a scope exception from derivative accounting for instruments that are both indexed to the issuer’s own stock and classified in stockholder’s equity in our condensed consolidated balance sheets, we have recorded an amount of \$33.0 million as a reduction to additional paid-in capital which will not be remeasured. This represents the premium of \$45.0 million paid for the purchase of the Capped Calls, net of the deferred tax impact of \$12.0 million.

Future Payments and Maturities of Debt

The future principal payments and maturities of our indebtedness, excluding financing lease obligations, are as follows:

Years Ending December 31,	Amount (Dollars in millions)
2024	\$ 1.6
2025	6.5
2026	581.5
2027	6.5
2028	6.5
Thereafter	620.8
	<u>\$ 1,223.4</u>

Fair Value of Debt

Our debt does not trade in active markets and was considered to be a Level 2 measurement at September 30, 2024. The fair value of the 2018 Term Debt and 2024 Term Debt were based on the borrowing rates currently available to us for bank loans with similar terms, maturities, and volumes as our debt. The fair value of the Convertible Senior Notes was determined based on the closing trading price per \$1,000 of the Convertible Senior Notes as of the last day of trading for the period and is primarily affected by the trading price of our common stock and market interest rates. The fair value of our debt was estimated to be \$1.19 billion and \$1.16 billion as of September 30, 2024, and December 31, 2023, respectively.

10. Employee Benefit Plans

We maintain defined benefit pension plans covering certain of our current and former U.S. employees (the U.S. pension plan and nonqualified defined benefit plan, collectively referred to as our “defined benefit plans”), as well as a postretirement benefit plan for certain U.S. retired employees that include health care and life insurance benefits. The defined benefit plans and postretirement benefit plan were terminated with an effective date of September 30, 2024. We anticipate that we will reflect the plan terminations within our condensed consolidated balance sheets on our next remeasurement date of December 31, 2024. We expect all remaining liabilities to be satisfied by the end of 2025.

The components of net periodic cost (gain) for our defined benefit pension plans and for our postretirement benefit plan are included in the following tables:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In millions)			
Interest cost	\$ 4.0	\$ 4.2	\$ 12.2	\$ 12.8
Actuarial loss amortization	3.4	2.0	10.0	6.2
Less: Expected return on plan assets	(4.5)	(5.6)	(13.3)	(16.7)
Net periodic pension cost	<u>\$ 2.9</u>	<u>\$ 0.6</u>	<u>\$ 8.9</u>	<u>\$ 2.3</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In millions)			
Interest cost	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.3
Actuarial gain amortization	(0.5)	(0.5)	(1.6)	(1.7)
Net periodic postretirement benefit gain	\$ (0.4)	\$ (0.4)	\$ (1.3)	\$ (1.4)

11. Share-Based Compensation

Our share-based compensation consists of stock options, restricted stock units (“RSU”), and performance stock units (“PSU”) and is used to compensate certain employees and non-employee directors. We also offer an employee stock purchase plan to eligible employees.

Most of our equity awards vest either annually on a pro rata basis, generally over a one- or three-year period or on a specific date if certain performance criteria are satisfied and certain equity values are attained. In addition, upon termination of service, all vested awards must be exercised generally within 90 days after termination, or these awards will be forfeited. The stock options have a 10-year contractual term and have an exercise price that is not less than the fair market value of the underlying common stock on the date of grant.

As of September 30, 2024, there were 12.6 million stock options, RSUs, and PSUs outstanding and 9.6 million shares available for grant under approved equity compensation plans.

Total share-based compensation expense was \$39.6 million and \$36.3 million for the three months ended September 30, 2024, and 2023, respectively, and \$118.4 million and \$118.0 million for the nine months ended September 30, 2024, and 2023, respectively.

Performance-Based Stock Options

Performance-based stock option activity was as follows:

	Shares	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2023	1,754,781	\$ 65.26	6.4	\$ 3.3
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	—	—	—	—
Outstanding at September 30, 2024	1,754,781	\$ 65.26	5.6	\$ —
Exercisable at September 30, 2024	1,004,781	\$ 65.26	5.7	\$ —

As of September 30, 2024, there is no unrecognized expense related to unvested performance-based stock option awards.

Performance Stock Units

PSU activity was as follows:

	Shares
Outstanding at December 31, 2023	778,024
Granted	793,447
Vested and released	(339,658)
Forfeited or canceled	(120,528)
Outstanding at September 30, 2024	1,111,285
Releasable at September 30, 2024	—

In March 2024, we granted PSU awards under our Management Incentive Plan ("MIP") for the incentive period of January 1, 2024 through December 31, 2024, and also as part of long-term incentive ("LTI") grants to certain members of management. These awards are primarily earned upon performance of key financial metrics and certain LTI awards are earned based upon our total shareholder return, a market condition, as compared to an indexed shareholder return over the course of a fiscal based three-year performance period, starting in the year of grant. The probability of vesting will continue to be evaluated throughout 2024, and share-based compensation will be recognized in accordance with that probability. Earned awards typically vest in the quarter following the conclusion of the performance period.

As of September 30, 2024, there was \$36.0 million of share-based compensation expense related to unvested PSUs not yet recognized, which is expected to be recognized over a weighted average period of 1.6 years.

Restricted Stock Units

RSU activity was as follows:

	Shares
Outstanding at December 31, 2023	3,245,092
Granted	2,262,286
Vested and released	(1,147,192)
Forfeited or canceled	(182,892)
Outstanding at September 30, 2024	4,177,294
Releasable at September 30, 2024	—

As of September 30, 2024, there was \$168.7 million of share-based compensation expense related to unvested RSUs not yet recognized, which is expected to be recognized over a weighted average period of 1.7 years.

Term-Based Stock Options

Term-based stock option activity was as follows:

	Shares	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2023	6,213,998	\$ 51.34	5.5	\$ 110.8
Granted	—	—	—	—
Exercised	(461,791)	(48.94)	—	—
Forfeited or expired	(163,910)	(72.85)	—	—
Outstanding at September 30, 2024	5,588,297	\$ 50.90	4.8	\$ 78.2
Exercisable at September 30, 2024	5,438,511	\$ 49.98	4.7	\$ 78.2

As of September 30, 2024, there was \$2.7 million of share-based compensation expense related to unvested term-based stock options not yet recognized, which is expected to be recognized over a weighted average period of 0.1 years.

Global Employee Stock Purchase Plan

Our Global Employee Stock Purchase Plan activity was as follows:

Period Ended	Shares Issued	Purchase Price (per share)
March 31, 2024	58,349	\$ 56.12
June 30, 2024	84,240	42.16
September 30, 2024	65,589	52.06

A total of 1.2 million shares of common stock are available for future issuances under the plan as of September 30, 2024.

12. Revenue and Revenue-Related Activity

Disaggregation of Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In millions)			
Revenue:				
Recurring revenue:				
Dayforce recurring	\$ 333.2	\$ 279.6	\$ 992.0	\$ 819.0
Powerpay recurring	24.4	24.0	75.0	72.2
Total Cloud recurring	357.6	303.6	1,067.0	891.2
Other recurring	18.3	21.8	56.6	67.0
Total recurring revenue	375.9	325.4	1,123.6	958.2
Professional services and other	64.1	52.1	171.2	155.8
Total revenue	<u>\$ 440.0</u>	<u>\$ 377.5</u>	<u>\$ 1,294.8</u>	<u>\$ 1,114.0</u>

Recurring revenue includes float revenue of \$45.6 million and \$38.8 million for the three months ended September 30, 2024, and 2023, respectively, and \$155.2 million and \$127.5 million for the nine months ended September 30, 2024, and 2023, respectively.

Contract Balances

In accordance with ASC 606, a contract asset is generally recorded when revenue recognized for professional service performance obligations exceed the contractual amount of billings for implementation related professional services. Additions to contract assets generally represent increases to professional services revenues, and reductions to contract assets generally represent reductions to recurring revenues during the initial contract term. Contract assets expected to be recognized in revenue within twelve months are included within prepaid expenses and other current assets, with the remaining contract assets included within other assets on our condensed consolidated balance sheets. The changes in total contract assets were as follows:

	Nine Months Ended September 30,	
	2024	2023
	(In millions)	
Contract assets, beginning of period	\$ 89.0	\$ 68.5
Additions	73.4	71.4
Reductions	(63.8)	(58.2)
Foreign currency translation	0.3	(0.2)
Contract assets, end of period	<u>\$ 98.9</u>	<u>\$ 81.5</u>

Deferred Revenue

Deferred revenue primarily consists of payments received in advance of revenue recognition. The changes in deferred revenue were as follows:

	Nine Months Ended September 30,	
	2024	2023
	(In millions)	
Deferred revenue, beginning of period	\$ 40.2	\$ 41.2
New billings	650.6	572.8
Acquired billings	8.6	—
Revenue recognized	(656.6)	(542.5)
Foreign currency translation	(0.1)	(23.7)
Deferred revenue, end of period	<u>\$ 42.7</u>	<u>\$ 47.8</u>

Deferred Sales Commissions

In accordance with ASC 606, sales commissions paid based on the annual contract value of a signed customer contract are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions paid based on the annual contract value are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be ten years. Amortization expense for deferred sales commissions was \$7.2 million and \$5.3 million for the three months ended September 30, 2024, and 2023, respectively, and \$20.1 million and \$15.0 million for the nine months ended September 30, 2024, and 2023, respectively.

Transaction Price for Remaining Performance Obligations

As of September 30, 2024, approximately \$1,310.4 million of revenue is expected to be recognized over the next three years from remaining performance obligations, which represents contracted revenue for recurring services and fixed price professional services, primarily implementation services, that has not yet been recognized, including deferred revenue and unbilled amounts that will be recognized as revenue in future periods. Performance obligations that are billed and recognized as they are delivered, primarily professional services contracts that are on a time and materials basis, are excluded from the transaction price for remaining performance obligations disclosed above.

13. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows:

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) from Invested Customer Funds	Pension Liability Adjustment	Total
	(In millions)			
Balance as of December 31, 2023	\$ (217.4)	\$ (56.3)	\$ (163.0)	\$ (436.7)
Other comprehensive (loss) income before income taxes and reclassifications	(9.4)	58.3	0.4	49.3
Income tax expense	—	(15.4)	(2.2)	(17.6)
Reclassifications to earnings	—	—	8.4	8.4
Other comprehensive (loss) income	(9.4)	42.9	6.6	40.1
Balance as of September 30, 2024	\$ (226.8)	\$ (13.4)	\$ (156.4)	\$ (396.6)

14. Income Taxes

Our income tax provision represents federal, state, and international taxes on our income recognized for financial statement purposes and includes the effects of temporary differences between financial statement income and income recognized for tax return purposes. Deferred tax assets and liabilities are recorded for temporary differences between the financial reporting basis and the tax basis of assets and liabilities. We record a valuation allowance to reduce our deferred tax assets to reflect the net deferred tax assets that we believe will be realized. In assessing the likelihood that we will be able to recover our deferred tax assets and the need for a valuation allowance, we consider all available evidence, both positive and negative, including historical levels of pre-tax book income, expiration of net operating losses, changes in our debt and equity structure, expectations and risks associated with estimates of future taxable income, ongoing prudent and feasible tax planning strategies, as well as current tax laws. As of September 30, 2024, we have a valuation allowance of \$45.9 million against certain deferred tax assets consisting primarily of \$31.8 million attributable to other deferred tax assets consisting largely of foreign intangible assets and \$14.1 million attributable to state and foreign net operating loss carryovers.

We recorded income tax expense of \$16.3 million during the three months ended September 30, 2024, which included tax expense of \$7.4 million attributable to Global Intangible Low Taxed Income, \$6.7 million attributable to share-based compensation, \$3.8 million attributable to foreign tax rate differences, \$3.8 million attributable to current operations, and \$3.1 million of valuation allowance recorded, partially offset by \$9.6 million of valuation allowance released and \$1.9 million of tax credits.

We recorded income tax expense of \$29.4 million during the nine months ended September 30, 2024, which included tax expense of \$13.0 million attributable to Global Intangible Low Taxed Income, \$11.4 million attributable to share-based compensation, \$7.7 million attributable to current operations, \$6.3 million attributable to foreign tax rate differences, and \$3.1 million of valuation allowance recorded, partially offset by \$12.0 million of valuation allowance released and \$6.9 million of tax credits.

The total amount of unrecognized tax benefits as of September 30, 2024, and December 31, 2023, was \$1.6 million and \$1.0 million, respectively. The \$1.6 million represents the amount that, if recognized, would impact our effective income tax rate as of September 30, 2024. We adjust these reserves when facts and circumstances change, such as the closing of tax audits or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2019.

15. Commitments and Contingencies

Legal Matters

We are subject to claims and a number of judicial and administrative proceedings considered normal in the course of our current and past operations, including employment-related disputes, contract disputes, disputes with our competitors, intellectual property disputes, government audits and proceedings, customer disputes, and tort claims. In some proceedings, the claimant seeks damages as well as other relief, which, if granted, would require substantial expenditures on our part.

Our general terms and conditions in customer contracts frequently include a provision indicating we will indemnify and hold our customers harmless from and against any and all claims alleging that the services and materials furnished by us violate any third party's patent, trade secret, copyright, or other intellectual property right. We are not aware of any material pending litigation concerning these indemnifications.

Some of these matters raise difficult and complex factual and legal issues and are subject to many uncertainties, including the facts and circumstances of each particular action, and the jurisdiction, forum, and law under which each action is proceeding. Because of these complexities, final disposition of some of these proceedings may not occur for several years. As such, we are not always able to estimate the amount of our possible future liabilities, if any.

There can be no certainty that we may not ultimately incur charges in excess of presently established or future financial accruals or insurance coverage. Although occasional adverse decisions or settlements may occur, it is management's opinion that the final disposition of these proceedings will not, considering the merits of the claims and available resources or reserves and insurance, and based upon the facts and circumstances currently known, have a material adverse effect on our financial position or results of operations.

16. Net Income (Loss) per Share

We compute net income (loss) per share of common stock using the treasury stock method. The basic and diluted net income (loss) per share computations were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In millions, except per share data)				
Numerator:				
Net income (loss)	\$ 2.0	\$ (3.8)	\$ 7.3	\$ 9.2
Denominator:				
Weighted average shares outstanding - basic	158.1	155.7	157.6	155.0
Effect of dilutive equity instruments	1.6	—	2.3	3.2
Weighted average shares outstanding - diluted	159.7	155.7	159.9	158.2
Net income (loss) per share - basic	\$ 0.01	\$ (0.02)	\$ 0.05	\$ 0.06
Net income (loss) per share - diluted	\$ 0.01	\$ (0.02)	\$ 0.05	\$ 0.06

The following potentially dilutive weighted average shares were excluded from the calculation of diluted net income (loss) per share because their effect would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In millions)				
Stock options	2.9	3.1	3.0	2.4
Restricted stock units	2.7	0.6	1.5	0.1
Performance stock units	0.9	0.6	0.8	—

The shares underlying the conversion option in the Convertible Senior Notes were not considered in the calculation of diluted net income (loss) per share as the effect would have been anti-dilutive. Based on the initial conversion price, the entire outstanding principal amount of the Convertible Senior Notes as of September 30, 2024 would have been convertible into approximately 4.3 million shares of our common stock. Since we expect to settle the principal amount of the Convertible Senior Notes in cash, we use the treasury stock method for calculating any potential dilutive effect on diluted net income per share, if applicable. As a result, only the amount by which the conversion value exceeds the aggregate principal amount of the Convertible Senior Notes (the “conversion spread”) is considered in the diluted earnings per share computation. The conversion spread has a dilutive impact on diluted net income per share when the average market price of our common stock for a given period exceeds the initial conversion price of \$132.20 per share for the Convertible Senior Notes. We excluded the potentially dilutive effect of the conversion spread of the Convertible Senior Notes as the average market price of our common stock during the three and nine months ended September 30, 2024 was less than the conversion price of the Convertible Senior Notes. In connection with the issuance of the Convertible Senior Notes, we entered into Capped Calls, which were not included for purposes of calculating the number of diluted shares outstanding, as their effect would have been anti-dilutive.

17. Share Repurchase Program

On July 31, 2024, we announced that our Board of Directors had approved a share repurchase program with authorization to purchase up to \$500 million of our common stock. During the three months ended September 30, 2024, we repurchased and canceled 0.5 million shares of common stock for an aggregate amount of \$30.0 million.

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

The following is a discussion and analysis of our financial condition and results of operations as of, and for, the periods presented and should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this report and with our audited consolidated financial statements and notes thereto in our [2023 Form 10-K](#). This discussion and analysis contains forward-looking statements, including statements regarding industry outlook, our expectations for the future of our business, and our liquidity and capital resources as well as other non-historical statements. These statements are based on current expectations and are subject to numerous risks and uncertainties, including but not limited to the risks and uncertainties described in [Part II, Item 1A, "Risk Factors"](#) and ["Cautionary Note Regarding Forward-Looking Statements."](#) Our actual results may differ materially from those contained in or implied by these forward-looking statements. Any reference to a "Note" in this discussion relates to the accompanying notes to the unaudited condensed consolidated financial statements included elsewhere in this report unless otherwise indicated.

Overview

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

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

Our Business Model

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

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

How We Assess Our Performance

In assessing our performance, we consider a variety of annual and quarterly performance indicators in addition to revenue and net income. Set forth below are descriptions of our quarterly key performance measures. Additional information on our annual performance measures is described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "How We Assess Our Performance" contained in our [2023 Form 10-K](#). Please refer to the "[Non-GAAP Financial Measures](#)" and "[Results of Operations](#)" sections below for further description and definitions of certain performance indicators which are considered non-GAAP financial measures.

Live Dayforce Customers

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

Dayforce Recurring Revenue Per Customer

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

Constant Currency Revenue

We present percentage change in revenue on a constant currency basis to assess how our underlying business performed, excluding the effect of foreign currency rate fluctuations. We believe this non-GAAP financial measure is useful to management and investors. The average U.S. dollar to Canadian dollar foreign exchange rate was \$1.36 for the three and nine months ended September 30, 2024, compared to \$1.34 for the three and nine months ended September 30, 2023.

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

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

Results of Operations

Three Months Ended September 30, 2024 Compared With Three Months Ended September 30, 2023

	Three Months Ended September 30,		Increase/(Decrease)		Percentage of Revenue	
	2024	2023	Amount	%	2024	2023
(In millions)						
Revenue:						
Recurring						
Cloud	\$ 357.6	\$ 303.6	\$ 54.0	17.8%	81.3%	80.4%
Other	18.3	21.8	(3.5)	(16.1)%	4.2%	5.8%
Total recurring	375.9	325.4	50.5	15.5%	85.4%	86.2%
Professional services and other	64.1	52.1	12.0	23.0%	14.6%	13.8%
Total revenue	440.0	377.5	62.5	16.6%	100.0%	100.0%
Cost of revenue:						
Recurring						
Cloud	75.1	69.9	5.2	7.4%	17.1%	18.5%
Other	12.3	10.6	1.7	16.0%	2.8%	2.8%
Total recurring	87.4	80.5	6.9	8.6%	19.9%	21.3%
Professional services and other	75.1	66.1	9.0	13.6%	17.1%	17.5%
Product development and management	55.4	53.3	2.1	3.9%	12.6%	14.1%
Depreciation and amortization	20.8	17.1	3.7	21.6%	4.7%	4.5%
Total cost of revenue	238.7	217.0	21.7	10.0%	54.3%	57.5%
Gross profit	201.3	160.5	40.8	25.4%	45.8%	42.5%
Selling and marketing	86.4	61.8	24.6	39.8%	19.6%	16.4%
General and administrative	94.1	72.2	21.9	30.3%	21.4%	19.1%
Operating profit	20.8	26.5	(5.7)	(21.5)%	4.7%	7.0%
Interest income	(4.8)	(5.7)	0.9	15.8%	(1.1)%	(1.5)%
Interest expense	13.6	14.6	(1.0)	(6.8)%	3.1%	3.9%
Other (income) expense, net	(6.3)	5.1	(11.4)	(223.5)%	(1.4)%	1.4%
Income before income taxes	18.3	12.5	5.8	46.4%	4.2%	3.3%
Income tax expense	16.3	16.3	—	—	3.7%	4.3%
Net income (loss)	\$ 2.0	\$ (3.8)	\$ 5.8	152.6%	0.5%	(1.0)%

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

	Three Months Ended September 30,		Percentage change in revenue	Impact of changes in foreign currency (a)	Percentage change in revenue on a constant currency basis (a)
	2024	2023	2024 vs. 2023		2024 vs. 2023
	(In millions)				
Revenue:					
Recurring revenue:					
Dayforce recurring, excluding float	\$ 292.0	\$ 245.6	18.9%	(0.1)%	19.0%
Dayforce float	41.2	34.0	21.2%	(0.3)%	21.5%
Total Dayforce recurring	333.2	279.6	19.2%	(0.1)%	19.3%
Powerpay recurring, excluding float	20.2	19.6	3.1%	(2.0)%	5.1%
Powerpay float	4.2	4.4	(4.5)%	(2.2)%	(2.3)%
Total Powerpay recurring	24.4	24.0	1.7%	(2.0)%	3.7%
Total Cloud recurring	357.6	303.6	17.8%	(0.3)%	18.1%
Other recurring (b)	18.3	21.8	(16.1)%	0.9%	(17.0)%
Total recurring revenue	375.9	325.4	15.5%	(0.2)%	15.7%
Professional services and other (c)	64.1	52.1	23.0%	(—)%	23.0%
Total revenue	\$ 440.0	\$ 377.5	16.6%	(0.1)%	16.7%

- (a) We have calculated percentage change in revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period. Please refer to the [“Non-GAAP Financial Measures”](#) section for discussion of percentage change in revenue on a constant currency basis.
- (b) Float attributable to Other recurring was \$0.2 million and \$0.4 million for the three months ended September 30, 2024, and 2023, respectively.
- (c) For the three months ended September 30, 2024, Professional services and other consisted of \$61.8 million and \$2.3 million associated with Dayforce and Other, respectively. For the three months ended September 30, 2023, Professional services and other consisted of \$48.2 million, \$3.8 million, and \$0.1 million associated with Dayforce, Other, and Powerpay respectively.

Total revenue increased \$62.5 million, or 16.6%, to \$440.0 million for the three months ended September 30, 2024, compared to \$377.5 million for the three months ended September 30, 2023. This increase was primarily attributable to the increase in live Dayforce customers, the increase in Dayforce recurring revenue per customer, and the increase in float revenue. The number of live Dayforce customers increased 6.1% to 6,730 at September 30, 2024 from 6,346 at September 30, 2023. Additionally, for the trailing twelve months ended September 30, 2024, Dayforce recurring revenue per customer grew to \$159,496 compared to \$138,838 for the comparable period in 2023. Please refer to the [“How We Assess Performance”](#) and [“Non-GAAP Financial Measures”](#) section for discussion of and the definition of Dayforce recurring revenue per customer.

The increase in Dayforce recurring revenue per customer is driven by the growing average size of our customers, as we continue to expand within the enterprise segment, as well as more customers purchasing our full HCM suite. The increase in float revenue is driven by an increase in average yield of 20 basis points compared to the three months ended September 30, 2023, in addition to a 11.4% increase in average float balance for our customer funds for the three months ended September 30, 2024, which increased to \$4.48 billion, compared to \$4.02 billion for the three months ended September 30, 2023.

Cost of revenue. Total cost of revenue for the three months ended September 30, 2024, was \$238.7 million, an increase of \$21.7 million, or 10.0%, compared to the three months ended September 30, 2023.

Recurring cost of revenue for the three months ended September 30, 2024, increased \$6.9 million, or 8.6%, compared with the three months ended September 30, 2023, primarily due to additional labor-related costs incurred and increased costs of hosting our applications to support the growing Dayforce customer base globally.

Professional services and other cost of revenue increased \$9.0 million, or 13.6%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, primarily due to increased labor-related costs incurred to take new customers live.

Product development and management expense increased \$2.1 million, or 3.9%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase primarily reflects additional personnel costs and increased costs of hosting our development applications. For the three months ended September 30, 2024, and 2023, our investment in software development was \$52.4 million and \$51.4 million, respectively, consisting of \$29.5 million and \$28.9 million of research and development expense, and \$22.9 million and \$22.5 million in capitalized software development costs, respectively.

Depreciation and amortization expense associated with cost of revenue increased \$3.7 million, or 21.6%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, as we continue to capitalize and subsequently amortize Dayforce related and other development costs.

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

	Three Months Ended September 30,	
	2024	2023
Total gross margin	45.8%	42.5%
Gross margin by solution:		
Cloud recurring	79.0%	77.0%
Other recurring	32.8%	51.4%
Professional services and other	(17.2)%	(26.9)%

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

Total gross margin for the three months ended September 30, 2024 increased 330 basis points compared to the three months ended September 30, 2023 and gross profit increased by \$40.8 million, or 25.4% for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily due to the \$62.5 million or 16.6% increase in revenue, including float revenue, which outpaced the increase in cost of revenue.

Cloud recurring gross margin was 79.0% for the three months ended September 30, 2024, compared to 77.0% for the three months ended September 30, 2023. The increase in Cloud recurring gross margin was primarily due to the increase in revenue, including float revenue, and due to the growth of the proportion of Dayforce customers live for more than two years, which increased from 82% as of September 30, 2023 to 87% as of September 30, 2024.

Professional services and other gross margin improved to (17.2)% for the three months ended September 30, 2024, compared to (26.9)% for the three months ended September 30, 2023.

Selling and marketing expense. Selling and marketing expense increased \$24.6 million, or 39.8%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase in selling and marketing expense is primarily driven by higher personnel-related costs, as well as higher advertising expenses related to the transition of the Company's name and branding to Dayforce, Inc.

General and administrative expense. General and administrative expense increased \$21.9 million, or 30.3%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase in general and administrative expense is primarily driven by increases in amortization of intangible assets, employee-related costs, and the remeasurement of the DataFuzion contingent consideration. Amortization of the Ceridian trade name contributed \$7.0 million of the increase in expense for the three months ended September 30, 2024.

Operating profit. For the three months ended September 30, 2024, operating profit was \$20.8 million, compared to \$26.5 million for the three months ended September 30, 2023. Operating profit decreased primarily due to the increase in amortization expense and selling and marketing expenses, partially offset by gross margin expansion, driven by an increase in revenue, including float revenue.

Interest income. Interest income was \$4.8 million and \$5.7 million for the three months ended September 30, 2024, and 2023, respectively. The decrease was primarily due to lower invested balances during the period.

Interest expense. Interest expense was \$13.6 million and \$14.6 million for the three months ended September 30, 2024, and 2023, respectively. The decrease was primarily due to the decrease in applicable reference rates on our Term Debt.

Other expense, net. For the three months ended September 30, 2024, and 2023, we incurred other income, net of \$6.3 million and other expense, net of \$5.1 million, respectively. Other expense, net was primarily comprised of foreign currency translation losses (gains) and net periodic pension expense.

Income tax expense. For the three months ended September 30, 2024, and 2023, we recorded income tax expense of \$16.3 million for both periods. The components of income tax expense changing year over year include increases of \$2.8 million attributable to share-based compensation, \$1.9 million attributable to Global Intangible Low Taxed Income, \$1.7 million attributable to foreign tax rate differences, and \$1.2 million attributable to current operations, partially offset by decreases of \$6.4 million attributable to the change in valuation allowance, \$2.6 million attributable to Base Erosion and Anti-Abuse Tax, and \$1.9 million attributable to tax credits.

Net income (loss). We realized net income of \$2.0 million for the three months ended September 30, 2024, compared to net loss of \$3.8 million for the three months ended September 30, 2023. The change was primarily due to an increase in revenue, including float revenue, gross margin expansion, and other income, net, partially offset by increases in amortization expense.

Nine Months Ended September 30, 2024 Compared With Nine Months Ended September 30, 2023

	Nine Months Ended September 30,		Increase/(Decrease)		Percentage of Revenue	
	2024	2023	Amount	%	2024	2023
(In millions)						
Revenue:						
Recurring						
Cloud	\$ 1,067.0	\$ 891.2	\$ 175.8	19.7%	82.4%	80.0%
Other	56.6	67.0	(10.4)	(15.5)%	4.4%	6.0%
Total recurring	1,123.6	958.2	165.4	17.3%	86.8%	86.0%
Professional services and other	171.2	155.8	15.4	9.9%	13.2%	14.0%
Total revenue	1,294.8	1,114.0	180.8	16.2%	100.0%	100.0%
Cost of revenue:						
Recurring						
Cloud	228.5	204.8	23.7	11.6%	17.6%	18.4%
Other	36.6	34.6	2.0	5.8%	2.8%	3.1%
Total recurring	265.1	239.4	25.7	10.7%	20.5%	21.5%
Professional services and other	210.8	197.0	13.8	7.0%	16.3%	17.7%
Product development and management	166.8	153.5	13.3	8.7%	12.9%	13.8%
Depreciation and amortization	58.6	47.4	11.2	23.6%	4.5%	4.3%
Total cost of revenue	701.3	637.3	64.0	10.0%	54.2%	57.2%
Gross profit	593.5	476.7	116.8	24.5%	45.8%	42.8%
Selling and marketing	248.5	177.5	71.0	40.0%	19.2%	15.9%
General and administrative	269.4	204.9	64.5	31.5%	20.8%	18.4%
Operating profit	75.6	94.3	(18.7)	(19.8)%	5.8%	8.5%
Interest income	(13.3)	(14.5)	1.2	(8.3)%	(1.0)%	(1.3)%
Interest expense	46.5	41.7	4.8	11.5%	3.6%	3.7%
Other expense, net	5.7	6.6	(0.9)	(13.6)%	0.4%	0.6%
Income before income taxes	36.7	60.5	(23.8)	(39.3)%	2.8%	5.4%
Income tax expense	29.4	51.3	(21.9)	(42.7)%	2.3%	4.6%
Net income	\$ 7.3	\$ 9.2	\$ (1.9)	(20.7)%	0.6%	0.8%

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

	Nine Months Ended September 30,		Percentage change in revenue	Impact of changes in foreign currency	Percentage change in revenue on a constant currency basis (a)
	2024	2023	2024 vs. 2023	(a)	2024 vs. 2023
(In millions)					
Revenue:					
Recurring revenue:					
Dayforce recurring, excluding float	\$ 852.1	\$ 706.5	20.6%	(0.2)%	20.8%
Dayforce float	139.9	112.5	24.4%	(0.2)%	24.6%
Total Dayforce recurring	992.0	819.0	21.1%	(0.2)%	21.3%
Powerpay recurring, excluding float	60.6	58.8	3.1%	(1.2)%	4.3%
Powerpay float	14.4	13.4	7.5%	(0.7)%	8.2%
Total Powerpay recurring	75.0	72.2	3.9%	(1.1)%	5.0%
Total Cloud recurring	1,067.0	891.2	19.7%	(0.3)%	20.0%
Other recurring (b)	56.6	67.0	(15.5)%	(1.0)%	(14.5)%
Total recurring revenue	1,123.6	958.2	17.3%	(0.3)%	17.6%
Professional services and other (c)	171.2	155.8	9.9%	(0.2)%	10.1%
Total revenue	\$ 1,294.8	\$ 1,114.0	16.2%	(0.3)%	16.5%

- Dayforce has calculated percentage change in revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period. Please refer to the ["Non-GAAP Financial Measures"](#) section for discussion of percentage change in revenue on a constant currency basis.
- Float attributable to Other recurring was \$0.9 million and \$1.6 million for the nine months ended September 30, 2024, and 2023, respectively.
- For the nine months ended September 30, 2024, Professional services and other consisted of \$164.4 million, \$6.6 million, and \$0.2 million associated with Dayforce, Other, and Powerpay, respectively. For the nine months ended September 30, 2023, Professional services and other consisted of \$144.6 million, \$11.1 million, and \$0.1 million associated with Dayforce, Other, and Powerpay respectively.

Total revenue increased \$180.8 million, or 16.2%, to \$1,294.8 million for the nine months ended September 30, 2024, compared to \$1,114.0 million for the nine months ended September 30, 2023. This increase was primarily attributable to the increase in live Dayforce customers, the increase in Dayforce recurring revenue per customer, and the increase in float revenue. The number of live Dayforce customers increased 6.1% to 6,730 at September 30, 2024 from 6,346 at September 30, 2023. Additionally, for the trailing twelve months ended September 30, 2024, Dayforce recurring revenue per customer grew to \$159,496 compared to \$138,838 for the comparable period in 2023. Please refer to the ["How We Assess Performance"](#) and ["Non-GAAP Financial Measures"](#) section for discussion of and the definition of Dayforce recurring revenue per customer.

The increase in Dayforce recurring revenue per customer is driven by the growing average size of our customers, as we continue to expand within the enterprise segment, as well as more customers purchasing our full HCM suite. The increase in float revenue is driven by an increase in average yield of 37 basis points compared to the nine months ended September 30, 2023, in addition to a 7.2% increase in average float balance for our customer funds for the nine months ended September 30, 2024, which increased to \$4.94 billion, compared to \$4.61 billion for the nine months ended September 30, 2023.

Cost of revenue. Total cost of revenue for the nine months ended September 30, 2024, was \$701.3 million, an increase of \$64.0 million, or 10.0%, compared to the nine months ended September 30, 2023.

Recurring cost of revenue for the nine months ended September 30, 2024, increased \$25.7 million, or 10.7%, compared to the nine months ended September 30, 2023, primarily due to additional labor-related costs and increased costs of hosting our applications to support the growing Dayforce customer base globally.

Professional services and other cost of revenue increased \$13.8 million, or 7.0%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, primarily due to increased labor-related costs incurred to take new customers live.

Product development and management expense increased \$13.3 million, or 8.7%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase primarily reflects additional personnel costs and increased costs of hosting our development applications. For the nine months ended September 30, 2024, and 2023, our investment in software development was \$158.3 million and \$146.6 million, respectively, consisting of \$90.2 million and \$80.6 million of research and development expense, and \$68.1 million and \$66.0 million in capitalized software development costs, respectively.

Depreciation and amortization expense associated with cost of revenue increased \$11.2 million, or 23.6%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, as we continue to capitalize and subsequently amortize Dayforce related and other development costs.

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

	<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Total gross margin	45.8%	42.8%
Gross margin by solution:		
Cloud recurring	78.6%	77.0%
Other recurring	35.3%	48.4%
Professional services and other	(23.1)%	(26.4)%

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

Total gross margin for the nine months ended September 30, 2024 increased 300 basis points compared to the nine months ended September 30, 2023 and gross profit increased by \$116.8 million, or 24.5% for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, primarily due to the \$180.8 million or 16.2% increase in revenue, including float revenue, which outpaced the increase in cost of revenue.

Cloud recurring gross margin was 78.6% for the nine months ended September 30, 2024, compared to 77.0% for the nine months ended September 30, 2023. The increase in Cloud recurring gross margin was primarily due to the increase in revenue, including float revenue, and due to the growth of the proportion of Dayforce customers live for more than two years, which increased from 82% as of September 30, 2023 to 87% as of September 30, 2024.

Professional services and other gross margin improved to (23.1)% for the nine months ended September 30, 2024, compared to (26.4)% for the nine months ended September 30, 2023.

Selling and marketing expense. Selling and marketing expense increased \$71.0 million, or 40.0%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase in selling and marketing expense is primarily driven by higher personnel-related costs, as well as higher advertising expenses related to the transition of the Company's name and branding to Dayforce, Inc.

General and administrative expense. General and administrative expense increased \$64.5 million, or 31.5%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase in general and administrative expense is driven by increases in amortization of intangible assets, including \$48.8 million related to the Ceridian trade name, and employee-related costs, partially offset by a reduction in share-based compensation expense and lower expense related to the DataFuzion contingent consideration.

Operating profit. For the nine months ended September 30, 2024, operating profit was \$75.6 million, compared to \$94.3 million for the nine months ended September 30, 2023. Operating profit decreased due to increases in amortization expense and selling and marketing expenses related to rebranding, partially offset by gross margin expansion from the increase in revenue, including float revenue.

Interest income. Interest income was \$13.3 million and \$14.5 million for the nine months ended September 30, 2024, and 2023, respectively. The decrease was primarily due to lower invested balances during the period.

Interest expense. Interest expense was \$46.5 million and \$41.7 million for the nine months ended September 30, 2024, and 2023, respectively. The increase was primarily due to a \$4.3 million loss on debt extinguishment recognized during the nine months ended September 30, 2024 related to the refinancing of certain credit agreements. Please refer to [Part I, Item 1, Note 9, "Debt"](#) for additional information.

Other expense, net. For the nine months ended September 30, 2024, and 2023, we incurred other expense, net of \$5.7 million and \$6.6 million, respectively. Other expense, net was primarily comprised of foreign currency translation losses (gains) and net periodic pension expense.

Income tax expense. For the nine months ended September 30, 2024, and 2023, we recorded income tax expense of \$29.4 million and \$51.3 million, respectively. The decrease in income tax expense was primarily due to \$10.8 million attributable to the change in valuation allowance, \$6.9 million attributable to tax credits, and \$5.1 million attributable to Base Erosion and Anti-Abuse Tax.

Net income. We realized net income of \$7.3 million for the nine months ended September 30, 2024, compared to \$9.2 million for the nine months ended September 30, 2023. Net income declined primarily due to a decrease in operating profit and an increase in other expense, net, partially offset by lower income tax expense.

Liquidity and Capital Resources

Our primary sources of liquidity are our existing cash and equivalents, cash provided by operating activities, availability under our 2024 Revolving Credit Facility and the Receivables Securitization Program, and proceeds from debt issuances and equity offerings. As of September 30, 2024, we had cash and equivalents of \$494.1 million and our total debt was \$1,230.1 million.

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

We believe that our cash flow from operations, available cash and equivalents, and availability under our 2024 Revolving Credit Facility and the Receivables Securitization Program will be sufficient to meet our liquidity needs for the next twelve months and for the foreseeable future. We anticipate that to the extent that we require additional liquidity, it will be funded through the issuance of equity, the incurrence of additional indebtedness, or a combination thereof. We cannot provide assurance that we will be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and to fund our capital requirements are also dependent on our future financial performance, which is subject to general economic, financial, and other factors that are beyond our control. Accordingly, we cannot provide assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available from additional indebtedness or otherwise to meet our liquidity needs. If we decide to pursue one or more significant acquisitions, we may incur additional debt or raise additional equity to finance such acquisitions, which would result in additional expenses and/or dilution.

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

Statements of Cash Flows

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

	Nine Months Ended September 30,	
	2024	2023
	(In millions)	
Net cash provided by operating activities	\$ 200.1	\$ 129.6
Net cash used in investing activities	(458.1)	(14.9)
Net cash (used in) provided by financing activities	(1,067.6)	345.3
Effect of exchange rate changes on cash, restricted cash, and equivalents	(18.2)	5.1
Net (decrease) increase in cash, restricted cash, and equivalents	(1,343.8)	465.1
Cash, restricted cash, and equivalents at beginning of period	3,421.4	3,151.2
Cash, restricted cash, and equivalents at end of period	2,077.6	3,616.3
Cash and equivalents	494.1	510.3
Restricted cash and equivalents	1,583.5	3,106.0
Total cash, restricted cash, and equivalents	<u>\$ 2,077.6</u>	<u>\$ 3,616.3</u>

Operating Activities

Net cash provided by operating activities was \$200.1 million during the nine months ended September 30, 2024 compared to \$129.6 million during the nine months ended September 30, 2023. For both periods, cash inflows from operating activities are primarily generated from the subscriptions of our solutions. Cash outflows from operating activities for both periods are primarily comprised of personnel-related expenditures, including the payout of year-end employee compensation, and the renewals of prepaid annual contracts that are integral to our business operations. The positive cash inflows in both periods is primarily due to our growing revenue, partially offset by our operating costs, mainly, investment in our sales force to support our growth initiatives and those product development and management costs which are not eligible for capitalization.

Investing Activities

During the nine months ended September 30, 2024, net cash used in investing activities was \$458.1 million, consisting of purchases of customer funds marketable securities of \$483.2 million, acquisition costs, net of cash acquired, of \$173.1 million, capital expenditures of \$82.8 million, and purchases of marketable securities of \$10.0 million, partially offset by proceeds from the sale and maturity of customer funds marketable securities of \$283.4 million, and proceeds from the sale and maturity of marketable securities of \$7.6 million. Our capital expenditures included \$74.1 million for software and technology and \$8.7 million for property, plant, and equipment.

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

Financing Activities

Net cash used in financing activities was \$1,067.6 million during the nine months ended September 30, 2024. This cash outflow is primarily attributable to a decrease in net customer fund obligations of \$1,049.9 million, payments on our long-term debt obligations of \$646.5 million, repurchases of common stock of \$28.8 million, payment of debt refinancing costs of \$11.4 million, and payment of contingent consideration of \$3.0 million, partially offset by an increase in proceeds from our debt issuance of \$650.0 million and proceeds from issuance of common stock under our share-based compensation plans of \$22.0 million.

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

Backlog

Backlog is equivalent to our remaining performance obligations, which represents contracted revenue for recurring and fixed price professional services, primarily implementation services, that has not yet been recognized, including deferred revenue and unbilled amounts that will be recognized as revenue in future periods. As of September 30, 2024, our remaining performance obligations were approximately \$1,310.4 million. Please refer to [Part 1, Item 1, Note 12, "Revenue and Revenue-Related Activities"](#) for further discussion of our remaining performance obligations.

Off-Balance Sheet Arrangements

As of September 30, 2024, we did not have any "off-balance sheet arrangements" (as such term is defined in Item 303 of Regulation S-K).

Contractual Obligations

During the nine months ended September 30, 2024, there were no significant changes to our contractual obligations as described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Contractual Obligations" contained in our [2023 Form 10-K](#).

Critical Accounting Policies and Estimates

During the nine months ended September 30, 2024, there were no significant changes to our critical accounting policies and estimates as described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Critical Accounting Policies and Estimates" contained in our [2023 Form 10-K](#).

Non-GAAP Financial Measures

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

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

We believe that these non-GAAP financial measures are useful to management and investors as supplemental measures to evaluate our overall operating performance including comparison across periods and with competitors. Our management team uses these non-GAAP financial measures to assess operating performance because these financial measures exclude the results of decisions that are outside the normal course of our business operations, and are used for internal budgeting and forecasting purposes both for short- and long-term operating plans. Additionally, Adjusted EBITDA is a component of our management incentive plan and Adjusted Cloud recurring gross margin and Adjusted operating profit are components of certain performance based equity awards for our named executive officers. Additionally, we believe that the non-GAAP financial measure free cash flow is meaningful to investors because it is a measure of liquidity that provides useful information in understanding and evaluating the strength of our liquidity and future ability to generate cash that can be used for strategic opportunities or investing in our business. The exclusion of capital expenditures facilitates comparisons of our liquidity on a period-to-period basis and excludes items that management does not consider to be indicative of our liquidity.

These non-GAAP financial measures are not required by, defined under, or presented in accordance with, GAAP, and should not be considered as alternatives to our results as reported under GAAP, have important limitations as analytical tools, and our use of these terms may not be comparable to similarly titled measures of other companies in our industry. Our presentation of non-GAAP financial measures should not be construed to imply that our future results will be unaffected by similar items to those eliminated in this presentation.

We define our non-GAAP financial measures as follows:

- EBITDA is defined as net (loss) income before interest, taxes, depreciation, and amortization, and Adjusted EBITDA is EBITDA, as adjusted to exclude share-based compensation expense and related employer taxes, and certain other items.
- Adjusted EBITDA margin is determined by calculating the percentage Adjusted EBITDA is of total revenue.
- Adjusted Cloud recurring gross margin is defined as Cloud recurring gross margin, as adjusted to exclude share-based compensation and related employer taxes, and certain other items, as a percentage of total Cloud recurring revenue.
- Adjusted operating profit is defined as operating profit, as adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items.
- Adjusted operating profit margin is determined by calculating the percentage Adjusted operating profit is of total revenue.
- Adjusted net income is defined as net (loss) income, as adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items, all of which are adjusted for the effect of income taxes.
- Adjusted net profit margin is determined by calculating the percentage Adjusted net income is of total revenue.
- Adjusted diluted net income per share is calculated by dividing adjusted net income by diluted weighted average shares outstanding. When adjusted net income is positive, diluted weighted average shares outstanding incorporate the effect of dilutive equity instruments.
- Free cash flow is defined as net cash provided by operating activities, as adjusted to exclude capital expenditures.
- Percentage change in revenue, including total revenue and revenue by solution, on a constant currency basis is calculated by applying the average foreign exchange rate in effect during the comparable prior period.
- Dayforce recurring revenue per customer is an indicator of the average size of Dayforce recurring revenue customers. To calculate Dayforce recurring revenue per customer, we start with Dayforce recurring revenue on a constant currency basis by applying the same exchange rate to all comparable periods for the trailing twelve months and excludes float revenue, and Ascender, ADAM HCM, and eloomi revenue. This amount is divided by the number of live Dayforce customers at the end of the trailing twelve month period, excluding Ascender, ADAM HCM, and eloomi. We have not reconciled the Dayforce recurring revenue per customer because there is no directly comparable GAAP financial measure.

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

	Three Months Ended September 30, 2024							
	As reported	As reported margins (a)	Share-based compensation	Amortization	Other (b)	As adjusted (b)	As adjusted margins (a)	
			(Dollars in millions, except per share data)					
Cost of Cloud recurring revenue	\$ 75.1	79.0%	\$ 3.0	\$ —	\$ 0.1	\$ 72.0	79.9%	
Operating profit	\$ 20.8	4.7%	\$ 39.6	\$ 29.6	\$ 13.2	\$ 103.2	23.5%	
Net income	\$ 2.0	0.5%	\$ 39.6	\$ 29.6	\$ 3.3	\$ 74.5	16.9%	
Interest expense, net	8.8		—	—	—	8.8		
Income tax expense (c)	16.3		—	—	(4.0)	20.3		
Depreciation and amortization	52.1		—	29.6	—	22.5		
EBITDA	\$ 79.2		\$ 39.6	\$ —	\$ 7.3	\$ 126.1	28.7%	
Net income per share - diluted (d)	\$ 0.01		\$ 0.25	\$ 0.19	\$ 0.02	\$ 0.47		

- (a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net (loss) income are of total revenue. Please refer above for additional information on the as adjusted margins.
- (b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including \$9.0 million related to the fair value adjustment for the DataFuzion contingent consideration, \$3.2 million of restructuring expenses, \$3.2 million of costs associated with the planned termination of our frozen U.S. pension plan, \$1.0 million of fees associated with initiating the receivables securitization program, and \$9.1 million of foreign exchange gain, along with a \$4.0 million net adjustment for the effect of income taxes related to these items. Please refer to the "Non-GAAP Financial Measures" section for additional information on the as adjusted metrics.
- (c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.
- (d) GAAP and Adjusted diluted net income per share are calculated based upon 159.7 million weighted average shares of common stock.

Three Months Ended September 30, 2023

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

- (a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net income are of total revenue. Please refer above for additional information on the as adjusted margins.
- (b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including \$4.7 million of foreign exchange loss, \$4.6 million related to the impact of the fair value adjustment for the DataFuzion contingent consideration, \$1.2 million of restructuring expenses, and \$0.2 million related to the abandonment of certain leased facilities, along with a \$5.5 million net adjustment for the effect of income taxes related to these items. Please refer to the "Non-GAAP Financial Measures" section for additional information on the as adjusted metrics.
- (c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.
- (d) GAAP diluted net loss per share is calculated based upon 155.7 weighted average shares of common stock, and Adjusted diluted net income per share is calculated based upon 158.8 million weighted average shares of common stock.

Nine Months Ended September 30, 2024

	As reported margins					As adjusted margins	
	As reported	(a)	Share-based compensation	Amortization	Other (b)	(b)	(a)
	(Dollars in millions, except per share data)						
Cost of Cloud recurring revenue	\$ 228.5	78.6%	\$ 9.6	\$ —	\$ 0.9	\$ 218.0	79.6%
Operating profit	\$ 75.6	5.8%	\$ 118.4	\$ 87.5	\$ 25.7	\$ 307.2	23.7%
Net income	\$ 7.3	0.6%	\$ 118.4	\$ 87.5	\$ 5.5	\$ 218.7	16.9%
Interest expense, net	33.2		—	—	—	33.2	
Income tax expense (c)	29.4		—	—	(27.0)	56.4	
Depreciation and amortization	151.5		—	87.5	—	64.0	
EBITDA	\$ 221.4		\$ 118.4	\$ —	\$ 32.5	\$ 372.3	28.8%
Net income per share - diluted (d)	\$ 0.05		\$ 0.74	\$ 0.55	\$ 0.03	\$ 1.37	

- (a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net income are of total revenue. Please refer to the "Non-GAAP Financial Measures" section for additional information on the as adjusted margins.
- (b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including \$15.7 million of restructuring expenses, \$9.7 million of costs associated with the planned termination of our frozen U.S. pension plan, \$9.0 million related to the fair value adjustment for the DataFuzion contingent consideration, \$1.0 million of fees associated with initiating the receivables securitization program, and \$2.9 million of foreign exchange gain, along with a \$27.0 million net adjustment for the effect of income taxes related to these items. Please refer to the "Non-GAAP Financial Measures" section for additional information on the as adjusted metrics.
- (c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.
- (d) GAAP and Adjusted diluted net income per share are calculated based upon 159.9 million weighted average shares of common stock.

Nine Months Ended September 30, 2023

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

- (a) Cloud recurring gross margin is defined as total Cloud recurring revenue less cost of Cloud recurring revenue as a percentage of total Cloud recurring revenue. Operating profit margin and net profit margin are determined by calculating the percentage operating profit and net income (loss) are of total revenue. Please refer to the "Non-GAAP Financial Measures" section for additional information on the as adjusted margins.
- (b) The as adjusted column is a non-GAAP financial measure, adjusted to exclude share-based compensation expense and related employer taxes, amortization of acquisition-related intangible assets, and certain other items including \$11.8 million related to the impact of the fair value adjustment for the DataFuzion contingent consideration, \$5.3 million of foreign exchange loss, \$3.4 million of restructuring expenses, and \$0.4 million related to the abandonment of certain leased facilities, along with a \$22.7 million net adjustment for the effect of income taxes related to these items. Please refer to the "Non-GAAP Financial Measures" section for additional information on the as adjusted metrics.
- (c) Income tax effects have been calculated based on the statutory tax rates in effect in the U.S. and foreign jurisdictions during the period.
- (d) GAAP and Adjusted diluted net income per share are calculated based upon 158.2 million weighted average shares of common stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to foreign currency exchange rates, interest rates, and pension obligations. We seek to minimize or to manage these market risks through normal operating and financing activities. These market risks may be amplified by events and factors surrounding global events. We do not trade or use instruments with the objective of earning financial gains on market fluctuations, nor do we use instruments where there are not underlying exposures.

Foreign Currency Risk. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Canadian Dollar. Our exposure to foreign currency exchange rates has historically been partially hedged as our foreign currency denominated inflows create a natural hedge against our foreign currency denominated expenses. Accordingly, our results of operations and cash flows were not materially affected by fluctuation in foreign currency exchange rates, and we believe that a hypothetical 10% change in foreign currency exchange rates or an inability to access foreign funds would not materially affect our ability to meet our operational needs or result in a material foreign currency loss in the future. Due to the relative size of our international operations to date, we have not instituted an active hedging program. We expect our international operations to continue to grow in the near term, and we are monitoring the foreign currency exposure to determine if we should begin a hedging program.

Interest Rate Risk. Our operating results and financial condition are subject to fluctuations due to changes in interest rates, primarily in relation to: (1) our customer funds market valuation and float revenue derived therefrom, (2) our debt and the interest paid on such, and (3) our cash and equivalents and the interest income earned on these balances. Collectively, we do not believe that a change in interest rates of 100 basis points would have a material effect on our operating results or financial condition.

In certain jurisdictions, we collect funds for payment of payroll and taxes; temporarily hold such funds in segregated accounts until payment is due; remit the funds to the customers' employees and appropriate taxing authority; file federal, state and local tax returns; and handle related regulatory correspondence and amendments. We invest the customer funds in high-quality bank deposits, money market mutual funds, commercial paper or collateralized short-term investments. We may also invest these funds in government securities, as well as highly rated asset-backed, mortgage-backed, corporate, and bank securities.

We have exposure to risks associated with changes in laws and regulations that may affect customer fund balances. For example, a change in regulations, either reducing the amount of taxes to be withheld or allowing less time to remit taxes to government authorities, would reduce our average customer fund balances and float revenue. Based on current market conditions, portfolio composition and investment practices, a 100 basis point decrease in market investment rates would result in approximately \$26 million decrease in float revenue over the ensuing twelve month period. There are no incremental costs of revenue associated with changes in float revenue.

We pay floating rates of interest on our 2024 Term Debt and 2024 Revolving Credit Facility. The interest paid on these borrowings will fluctuate up or down in relation to changes in market interest rates. A 100 basis point decrease in the applicable reference rates would result in approximately \$6 million decrease in our interest expense over the ensuing twelve-month period. Please refer to [Part I, Item 1, Note 9, "Debt"](#) for additional information.

We do not enter into investments for trading or speculative purposes. Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

However, because we classify our securities as "available for sale," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be unrecoverable. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, and are realized only if we sell the underlying securities. Please refer to [Part I, Item 1, Note 5, "Customer Funds"](#) for additional information.

Pension Obligation Risk. We provide a pension plan for certain current and former U.S. employees that closed to new participants on January 2, 1995. In 2007, the U.S. pension plan was amended (1) to exclude from further participation any participant or former participant who was not employed by us or another participating employer on January 1, 2008, (2) to discontinue participant contributions, and (3) to freeze the accrual of additional benefits as of December 31, 2007. With an effective date of September 30, 2024, the pension plan was terminated. In applying relevant accounting policies, we have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, discount rates, and health care cost trends. The cost of pension benefits in future periods will depend on actual returns on plan assets, assumptions for future periods, contributions, and benefit experience. The effective discount rate used in accounting for pension and other benefit obligations in 2023 ranged from 4.52% to 4.65%. The expected rate of return on plan assets for qualified pension benefits in 2024 is 4.80%.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, and as a result of the GITC Material Weakness identified as part of the 2023 annual evaluation and defined below, our Chief Executive Officer and our Chief Financial Officer concluded that as of September 30, 2024, our disclosure controls and procedures were not effective at the reasonable assurance level. The GITC Material Weakness continues to be the sole material weakness in our internal control over financial reporting as of September 30, 2024. In light of the GITC Material Weakness, management performed additional analyses and other procedures, and has concluded that the unaudited condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with GAAP.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As discussed in our [2023 Form 10-K](#), we identified a material weakness with respect to ineffective general information technology controls ("GITCs") related to user access and change management over the information technology ("IT") systems supporting our Canada trust and Powerpay revenue processes (the "GITC Material Weakness").

The GITC Material Weakness was primarily due to ineffective reporting lines necessary to plan, execute, control, and periodically assess our IT activities. Specifically, we did not effectively design control activities to restrict technology access rights to authorized users commensurate with their job responsibilities; we did not have an effective information and communication process that identified and assessed the controls necessary to ensure the reliability of information used in financial reporting; and we lacked effective ongoing evaluations of whether GITCs are present and functioning.

Management's Plan to Remediate the Identified Material Weakness

We have continued to make progress on our efforts to remediate the GITC Material Weakness. These remediation activities include enhanced risk assessments; modified reporting lines of key control owners; improved training, and additional resources, focused on the design, implementation, operation, and documentation of GITCs; and the implementation of improved monitoring procedures, stronger user access controls, and greater segregation of duties in certain areas around our Canada trust and Powerpay revenue processes.

Management believes that the new and improved resources, procedures, and controls discussed above will provide an appropriate and prompt remediation of the GITC Material Weakness. However, it will not be considered fully remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively, which we expect to occur in connection with our annual audit covering the year ended December 31, 2024.

Changes in Internal Control over Financial Reporting

With the exception of the on-going remediation activities in response to the GTC Material Weakness identified above, there were no changes to our internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or that are reasonably likely to materially affect, our internal controls over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to claims and a number of judicial and administrative proceedings considered normal in the course of our current and past operations, including employment-related disputes, contract disputes, disputes with our competitors, intellectual property disputes, government audits and proceedings, customer disputes, and tort claims. In some proceedings, the claimant seeks damages as well as other relief, which, if granted, would require substantial expenditures on our part.

Some of these matters raise difficult and complex factual and legal issues and are subject to many uncertainties, including the facts and circumstances of each particular action, and the jurisdiction, forum, and law under which each action is proceeding. Because of these complexities, final disposition of some of these proceedings may not occur for several years. As such, we are not always able to estimate the amount of our possible future liabilities, if any. We are not presently a party to any legal proceedings that, if determined adversely to us, we believe would individually or taken together have a material adverse effect on our business, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, such as Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations", the reader should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our [2023 Form 10-K](#). There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. of our [2023 Form 10-K](#), with the exception of the items listed below.

The price of our common stock may be volatile, and investors may lose all or part of their investment.

The market price and volume of our common stock trading has experienced, and may continue to experience, wide fluctuations and volatility. Factors that may impact our performance and market price include those discussed elsewhere in this "Risk Factors" section of this Form 10-Q, as well as the risk factors discussed in Part I, Item 1A. of our [2023 Form 10-K](#), and others such as: market factors such as economic recession or monetary policy actions by central banking authorities, announcement or filing with the SEC by us or our competitors of acquisitions, business plans or commercial relationships as well as new services; any major change in our senior management or board of directors; sales, or anticipated sales, of our stock, including sales by our officers, directors, and significant stockholders; repurchases of our common stock under our share repurchase program or the decision to terminate or suspend any repurchases; issuance of new, negative, or changed securities analysts' reports or recommendations or estimates; investor perceptions of us and the industries in which we or our customers operate; and threatened or actual litigation and governmental investigations.

These and other factors may cause the market price and demand for shares of our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Securities litigation against us, regardless of the merits or outcome, could result in substantial costs, damage to our reputation, and divert the time and attention of our management from our business, which could have a material adverse effect on our business, financial condition, and results of operations.

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

In July 2024, we announced that our board of directors approved a share repurchase program authorizing the purchase of up to \$500 million of our issued and outstanding common stock. The authorization does not obligate us to repurchase any specific dollar amount or number of shares, there is no expiration date for the authorization, and the repurchase program may be modified, suspended, or terminated at any time and for any reason. Any future announcement of a termination or suspension of the program, or our decision not to utilize the full authorized repurchase amount under the program, may reduce investor confidence and/or result in a decrease in the market price of our shares.

The existence of the repurchase program could cause our stock price to trade higher than it otherwise would and could potentially reduce the market liquidity for our stock. The repurchase program may not enhance long-term stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares. Additionally, short-term stock price fluctuations could reduce the number or amount of shares we may ultimately repurchase pursuant to the program.

Repurchasing our common stock will reduce the amount of cash we have available to fund working capital, repayment of debt, capital expenditures, strategic acquisitions or business opportunities, and other general corporate purposes. The actual timing, number, and value of shares repurchased will depend on various factors, including the market price of our common stock, trading volume, general market conditions, and other corporate and economic considerations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The table below presents information with respect to Dayforce common stock purchases made during the three months ended September 30, 2024 by Dayforce or any "affiliated purchaser" of Dayforce, as defined in Rule 10b-18(a)(3) under the Exchange Act:

<u>For the Month Ended</u>	<u>Total Number of Shares Purchased (a)</u>	<u>Average Price Paid per Share (b)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value of Shares that May Yet be Purchased Under the Program</u>
July 31, 2024	—	\$ —	—	\$ 500.0
August 31, 2024	180,976	55.27	180,976	490.0
September 30, 2024	339,063	58.99	339,063	470.0
Total	<u>520,039</u>	\$ 57.69	<u>520,039</u>	\$ 470.0

- (a) On July 31, 2024, we announced that our Board of Directors had approved a share repurchase program with authorization to purchase up to \$500 million of our common stock. The share repurchase program has no expiration date.
- (b) Average price paid includes costs associated with the repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Insider Adoption or Termination of Trading Arrangements

On August 15, 2024, William McDonald, Executive Vice President, Chief Legal and Compliance Officer, and Corporate Secretary of the Company, adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408 (the "McDonald Plan"). The McDonald Plan provides for the potential sale of up to 41,394 shares of our common stock, subject to certain conditions, from March 17, 2025 through November 5, 2025. The McDonald Plan was effected within our open trading window periods and was done in compliance with our insider trading policy.

Other than the aforementioned, during the fiscal quarter ended September 30, 2024, none of our directors or officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

(a) Exhibits

The following exhibits are filed or furnished as a part of this report:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed by the Registrant on February 1, 2024).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by the Registrant on October 30, 2024).
4.1	Registration Rights Agreement, dated April 30, 2018, by and among the Registrant and the other parties thereto (incorporated by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q filed by the Registrant on May 24, 2018).
4.2	Indenture, dated as of March 5, 2021, between the Registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company on March 5, 2021).
4.3	Form of 0.25% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Registrant on March 5, 2021).
10.1	Receivables Purchase Agreement, dated as of September 13, 2024, by and among Dayforce Receivables LLC, as a seller, Dayforce Canada Receivables LP, as a seller, Dayforce US, Inc., as a servicer, Dayforce Canada Ltd., as a servicer, Dayforce National Trust Bank, as a servicer, the financial institutions as purchaser party thereto from time to time and MUFG Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on September 13, 2024).
10.2	U.S. Purchase and Sale Agreement, dated as of September 13, 2024, by and among Dayforce Licensing LLC, as an originator, Dayforce US, Inc., as an originator and as a servicer, Dayforce National Trust Bank, as a servicer, and Dayforce Receivables LLC, as buyer (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant on September 13, 2024).
10.3	Canadian Purchase and Sale Agreement, dated as of September 13, 2024, by and among Dayforce Canada Ltd., as the originator, and as the servicer, and Dayforce Canada Receivables LP, as buyer, and MUFG Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant on September 13, 2024).
31.1 [^]	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 [^]	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS [^]	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH [^]	Inline XBRL Taxonomy Extension Schema with Embedded Linkbases Document.
104 [^]	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

[^] Filed herewith.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, 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 purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

DAYFORCE, INC.

Date: October 30, 2024

By: /s/ David D. Ossip

Name: David D. Ossip

Title: Chief Executive Officer
(Principal Executive Officer)

Date: October 30, 2024

By: /s/ Jeremy R. Johnson

Name: Jeremy R. Johnson

Title: Executive Vice President and Chief Financial
Officer
(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER 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, David D. Ossip, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dayforce, Inc.;
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 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 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: October 30, 2024

By: /s/ David D. Ossip

David D. Ossip
Principal Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER 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, Jeremy R. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dayforce, Inc.;
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 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 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: October 30, 2024

By: /s/ Jeremy R. Johnson

Jeremy R. Johnson

Principal Financial Officer

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that he is the duly appointed and acting Chief Executive Officer of Dayforce, Inc., a Delaware corporation (the "Company"), and hereby further certifies to the best of his knowledge as follows.

1. The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
2. The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: October 30, 2024

By: /s/ David D. Ossip
David D. Ossip
Principal Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Dayforce, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that he is the duly appointed and acting Executive Vice President and Chief Financial Officer of Dayforce, Inc., a Delaware corporation (the "Company"), and hereby further certifies as follows.

1. The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
2. The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: October 30, 2024

By: /s/ Jeremy R. Johnson
Jeremy R. Johnson
Principal Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Dayforce, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.