

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x

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

For the quarterly period ended March 31, 2024

or

o

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: 001-37856

Medpace Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

32-0434904

(I.R.S. Employer Identification No.)

5375 Medpace Way, Cincinnati, OH 45227

(Address of principal executive offices) (Zip Code)

(513) 579-9911

(Registrant's telephone number, including area code)

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	MEDP	NASDAQ Global Select Market

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 **x** No **o**

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 **x** No **o**

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

x

Non-accelerated filer

o

Emerging growth company

o

Accelerated filer

o

Smaller reporting company

o

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

13(a) of the Exchange Act. ☒

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Number of Shares Outstanding
Common Stock \$0.01 par value	30,983,399 shares outstanding as of April 19, 2024

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
FORM 10-Q
FOR QUARTERLY PERIOD ENDED MARCH 31, 2024

TABLE OF CONTENTS

<u>Item Number</u>		<u>Page</u>
	<u>PART I — FINANCIAL INFORMATION</u>	3
Item 1.	Financial Statements (unaudited)	3
	Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023	3
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023	4
	Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2024 and 2023	5
	Condensed Consolidated Statements of Shareholders' Equity for the three months ended March 31, 2024 and 2023	6
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	24
	<u>PART II — OTHER INFORMATION</u>	25
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3.	Defaults Upon Senior Securities	25
Item 4.	Mine Safety Disclosures	25
Item 5.	Other Information	25
Item 6.	Exhibits	27
	EXHIBIT INDEX	28
	SIGNATURES	29

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES **CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(Amounts in thousands, except share amounts)

	As of	
	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 407,010	\$ 245,449
Accounts receivable and unbilled, net (includes \$1.8 million and \$2.4 million with related parties at March 31, 2024 and December 31, 2023, respectively)	279,166	298,400
Prepaid expenses and other current assets (includes \$0.3 million with related parties at March 31, 2024 and December 31, 2023)	58,726	49,979
Total current assets	744,902	593,828
Property and equipment, net	118,600	120,589
Operating lease right-of-use assets	138,803	144,801
Goodwill	662,396	662,396
Intangible assets, net	35,448	35,809
Deferred income taxes	75,231	74,435
Other assets	20,409	24,970
Total assets	<u>\$ 1,795,789</u>	<u>\$ 1,656,828</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (includes \$2.8 million and \$3.1 million with related parties at March 31, 2024 and December 31, 2023, respectively)	\$ 24,402	\$ 31,869
Accrued expenses	270,926	292,961
Advanced billings (includes \$10.9 million and \$10.1 million with related parties at March 31, 2024 and December 31, 2023, respectively)	616,697	559,860
Other current liabilities	44,620	40,441
Total current liabilities	956,645	925,131
Operating lease liabilities	136,156	142,122
Deferred income tax liability	2,364	2,404
Other long-term liabilities	29,082	28,221
Total liabilities	1,124,247	1,097,878
Commitments and contingencies (see Note 11)		
Shareholders' equity:		
Preferred stock - \$0.01 par-value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Common stock - \$0.01 par-value; 250,000,000 shares authorized at March 31, 2024 and December 31, 2023; 30,983,185 and 30,752,292 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	310	308
Treasury stock - 70,073 and 70,573 shares at March 31, 2024 and December 31, 2023, respectively	(12,235)	(12,322)
Additional paid-in capital	814,649	802,681
Accumulated deficit	(119,141)	(221,645)
Accumulated other comprehensive loss	(12,041)	(10,072)
Total shareholders' equity	671,542	558,950
Total liabilities and shareholders' equity	<u>\$ 1,795,789</u>	<u>\$ 1,656,828</u>

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	2024	2023
Revenue, net (includes \$12.8 million and \$15.8 million with related parties for the three months ended March 31, 2024 and 2023, respectively)	\$ 511,044	\$ 434,074
Operating expenses:		
Direct service costs, excluding depreciation and amortization	171,492	151,068
Reimbursed out-of-pocket expenses	184,410	152,817
Total direct costs	355,902	303,885
Selling, general and administrative	44,081	38,027
Depreciation	6,631	5,408
Amortization	361	550
Total operating expenses	406,975	347,870
Income from operations	104,069	86,204
Other income (expense), net:		
Miscellaneous income, net	4,593	687
Interest income (expense), net	4,120	(861)
Total other income (expense), net	8,713	(174)
Income before income taxes	112,782	86,030
Income tax provision	10,191	13,136
Net income	\$ 102,591	\$ 72,894
Net income per share attributable to common shareholders:		
Basic	\$ 3.32	\$ 2.35
Diluted	\$ 3.20	\$ 2.27
Weighted average common shares outstanding:		
Basic	30,843	31,008
Diluted	32,001	32,155

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in thousands)

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 102,591	\$ 72,894
Other comprehensive (loss) income		
Foreign currency translation adjustments, net of taxes	(1,969)	1,078
Comprehensive income	<u>\$ 100,622</u>	<u>\$ 73,972</u>

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(Amounts in thousands)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
BALANCE — December 31, 2022	\$ 309	\$ (12,497)	\$ 770,794	\$ (359,827)	\$ (12,392)	\$ 386,387
Net income				72,894		72,894
Foreign currency translation					1,078	1,078
Stock-based compensation expense			5,438			5,438
Stock options exercised	4		2,459			2,463
Repurchases of common stock	(7)			(120,991)		(120,998)
Re-issuance of treasury stock		175		(175)		—
BALANCE — March 31, 2023	\$ 306	\$ (12,322)	\$ 778,691	\$ (408,099)	\$ (11,314)	\$ 347,262
	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
BALANCE — December 31, 2023	\$ 308	\$ (12,322)	\$ 802,681	\$ (221,645)	\$ (10,072)	\$ 558,950
Net income				102,591		102,591
Foreign currency translation					(1,969)	(1,969)
Stock-based compensation expense			4,310			4,310
Stock options exercised	2		7,658			7,660
Re-issuance of treasury stock		87		(87)		—
BALANCE — March 31, 2024	\$ 310	\$ (12,235)	\$ 814,649	\$ (119,141)	\$ (12,041)	\$ 671,542

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

	Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 102,591	\$ 72,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,631	5,408
Amortization	361	550
Stock-based compensation expense	4,310	5,438
Noncash lease expense	5,696	4,757
Deferred income tax benefit	(865)	(1,063)
Other	(4,230)	(1,455)
Changes in assets and liabilities:		
Accounts receivable and unbilled, net	19,116	(4,344)
Prepaid expenses and other current assets	(9,205)	(10,205)
Accounts payable	(7,351)	4,457
Accrued expenses	(21,132)	(9,364)
Advanced billings	56,837	3,311
Lease liabilities	(5,946)	(5,284)
Other assets and liabilities, net	5,864	14,976
Net cash provided by operating activities	152,677	80,076
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(5,497)	(9,513)
Other	8,027	10
Net cash provided by (used in) investing activities	2,530	(9,503)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock option exercises	7,660	2,463
Repurchases of common stock	—	(120,146)
Proceeds from revolving loan	—	90,000
Payments on revolving loan	—	(25,000)
Net cash provided by (used in) financing activities	7,660	(52,683)
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,306)	767
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	161,561	18,657
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	245,449	28,265
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	\$ 407,010	\$ 46,922
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION —		
Acquisition of property and equipment—non-cash	\$ 5,345	\$ 7,216

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2024

(1) Basis of Presentation

Description of Business

Medpace Holdings, Inc. (together with its subsidiaries, "Medpace" or the "Company"), a Delaware corporation, is a global provider of clinical research-based drug and medical device development services. The Company partners with pharmaceutical, biotechnology, and medical device companies in the development and execution of clinical trials. The Company's drug development services focus on full service Phase I-IV clinical development services and include development plan design, project management, regulatory affairs, clinical monitoring, data management and analysis, pharmacovigilance new drug application submissions, post-marketing clinical support, laboratory services, clinical human pharmacology, imaging services, and electrocardiography reading support for clinical trials.

The Company's operations are principally based in North America, Europe, and Asia.

Unaudited Interim Financial Information

The interim condensed consolidated financial statements include the accounts of the Company, are prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), and are unaudited. In the opinion of the Company's management, all adjustments of a normal recurring nature necessary for a fair presentation have been reflected. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. The preparation of the interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and outcomes could differ from management's estimates and assumptions. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Share Repurchases

In the fourth quarter of 2022, the Board approved a stock repurchase program of up to \$500.0 million. The Company did not execute any share repurchases during the three months ended March 31, 2024. During the three months ended March 31, 2023, the Company repurchased 654,787 shares for \$120.1 million. As of March 31, 2024, the Company has remaining authorization of \$308.8 million under the repurchase program.

Repurchases under the share repurchase program are executed in the open market or negotiated transactions under trading plans put in place pursuant to Rule 10b5-1. The Company constructively retired the repurchased shares associated with these approved share repurchases, except for a small portion which were retained as Treasury Shares on the condensed consolidated statements of shareholders' equity. Retired share repurchase amounts paid in excess of par value are reflected within Accumulated deficit/Retained earnings in the Company's condensed consolidated balance sheets.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" which requires entities to enhance disclosures around segment reporting. The guidance is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" which requires entities to enhance disclosures around income taxes. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures.

(2) Net Income Per Share

Basic and diluted earnings or loss per share ("EPS") are computed using the two-class method, which is an earnings allocation that determines EPS for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. The Company's Restricted Stock Awards ("RSA") are considered participating securities because they are legally issued at the date of grant and holders are entitled to receive non-forfeitable dividends during the vesting term.

The computation of diluted EPS includes additional common shares, such as unvested Restricted Stock Units ("RSU") and stock options with exercise prices less than the average market price of the Company's common stock during the period ("in-the-money options"), which would be considered outstanding. This assumes that additional shares would have to be issued in cases where the exercise price of stock options is less than the value of the common stock being acquired because the cash proceeds received from the stock option holder would not be sufficient to acquire that same number of shares. The Company does not compute diluted EPS in cases where the inclusion of such additional shares would be anti-dilutive in effect.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2024 and 2023 (in thousands, except for earnings per share):

	Three Months Ended March 31,	
	2024	2023
Weighted-average shares:		
Common shares outstanding	30,843	31,008
RSAs	13	21
Total weighted-average shares	30,856	31,029
Earnings per common share—Basic		
Net income	\$ 102,591	\$ 72,894
Less: Undistributed earnings allocated to RSAs	(45)	(49)
Net income available to common shareholders—Basic	\$ 102,546	\$ 72,845
Net income per common share—Basic	\$ 3.32	\$ 2.35
Basic weighted-average common shares outstanding	30,843	31,008
Effect of diluted shares	1,158	1,147
Diluted weighted-average shares outstanding	32,001	32,155
Net income per common share—Diluted	\$ 3.20	\$ 2.27

During the three months ended March 31, 2024 and 2023, the Company had (in thousands) 0 and 10 stock options, respectively, that were excluded due to the exercise price exceeding the average fair value of the Company's common stock during the period.

(3) Fair Value Measurements

The Company follows accounting guidance related to fair value measurements that defines fair value, establishes a framework for measuring fair value, and establishes a hierarchy for inputs used in measuring fair value. This hierarchy maximizes the use of "observable" inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy specifies three levels based on the inputs, as follows:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations based on directly observable inputs or unobservable inputs corroborated by market data.

Level 3: Valuations based on unobservable inputs supported by little or no market activity representing management's determination of assumptions of how market participants would price the assets or liabilities.

The fair value of financial instruments such as cash and cash equivalents, accounts receivable and unbilled, net, accounts payable, accrued expenses and advanced billings approximate their carrying amounts due to their short term maturities.

The Company does not have material recurring fair value measurements as of March 31, 2024. There were no material transfers between Level 1, Level 2 or Level 3 during the three months ended March 31, 2024 and March 31, 2023.

(4) Contract Assets and Contract Liabilities

Contract assets and liabilities are reflected in the Company's condensed consolidated balance sheets within the accounts reflected below.

Contract Assets

Accounts receivable represent amounts due from the Company's customers who are concentrated primarily in the pharmaceutical, biotechnology, and medical device industries. Unbilled represents revenue recognized to date that has not been billed or is not yet contractually billable to the customer. In general, amounts become billable upon the achievement of negotiated contractual events, in accordance with predetermined payment schedules or when a reimbursable expense has been incurred. Amounts classified to unbilled are those billable to customers within one year from the respective balance sheet date.

Accounts receivable and unbilled, net consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Accounts receivable	\$ 270,685	\$ 275,932
Unbilled receivables	8,601	22,475
Less: allowance for doubtful accounts	(120)	(7)
Total accounts receivable and unbilled, net	<u>\$ 279,166</u>	<u>\$ 298,400</u>

Contract Liabilities

Advanced billings represent cash received from customers, or billed amounts per an agreed upon payment schedule, in advance of services being performed or revenue being recognized.

Advanced billings consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Advanced billings	\$ 616,697	\$ 559,860

As of March 31, 2024 and December 31, 2023, the Company had approximately \$3.2 billion and \$2.9 billion of performance obligations remaining to be performed for active projects.

(5) Intangible Assets, Net

Intangible assets, net consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Intangible assets:		
Finite-lived intangible assets:		
Carrying amount:		
Customer relationships	\$ 145,051	\$ 145,051
Accumulated amortization:		
Customer relationships	(141,249)	(140,888)
Total finite-lived intangible assets, net	3,802	4,163
Trade name (indefinite-lived)	31,646	31,646
Total intangible assets, net	\$ 35,448	\$ 35,809

As of March 31, 2024, estimated amortization expense of the Company's intangible assets for each of the next five years is as follows (in thousands):

	Amortization
Remainder of 2024	\$ 1,082
2025	946
2026	620
2027	577
2028	577
	<u>\$ 3,802</u>

(6) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Employee compensation and benefits	\$ 57,822	\$ 75,822
Project related reimbursable expenses	199,445	205,864
Other	13,659	11,275
Total accrued expenses	<u>\$ 270,926</u>	<u>\$ 292,961</u>

(7) Short-term Debt

On September 30, 2019 (the "Closing Date"), the Company obtained an unsecured credit facility in an aggregate principal amount up to \$50.0 million (as amended from time to time, the "Credit Facility") through its wholly owned subsidiaries, Medpace, Inc., as borrower (the "Borrower"), and Medpace IntermediateCo, Inc., as guarantor (the "Guarantor").

On the Closing Date, the Borrower and lender entered into a Loan Agreement (as it may be amended from time to time, the "Loan Agreement") providing for the Credit Facility, and the Guarantor executed a Guaranty Agreement providing for its guarantee of the payment and performance of the obligations under the Loan Agreement. On March 31, 2023, the Company entered into Amendment No. 5 to the Loan Agreement, which changed the aggregate principal amount that may be borrowed under the facility's line of credit to up to \$150.0 million, adjusted the interest rate and fee charged on the credit facility and extended the expiration date of revolving credit note to March 29, 2024. On March 28, 2024, the Company entered into Amendment No. 6 to the Loan Agreement, which changed the aggregate principal amount that may

be borrowed under the facility's line of credit to up to \$10.0 million and extended the expiration date of revolving credit note to March 31, 2025. The Credit Facility bears interest at a rate of the sum of The Secured Overnight Financing Rate (SOFR) plus 125 basis points (1.25%) or the highest of the Prime Rate, the sum of the Overnight Bank Funding Rate plus 50 basis points (0.50%) and the sum of Daily Simple SOFR plus 100 basis points (1.00%).

The Loan Agreement contains other customary loan terms, representations and warranties, and affirmative and negative covenants, in each case, subject to customary limitations, exceptions and exclusions. The Loan Agreement contains certain events of default, including, among others, non-payment of principal or interest and breach of the covenants.

As of March 31, 2024 and December 31, 2023, there were less than \$0.1 million in letters of credit outstanding related to certain operating lease obligations, which are secured by the Credit Facility.

(8) Leases

The Company enters into leases for real estate and equipment. Real estate leases are for our corporate office space and laboratories around the world. Real estate leases have remaining lease terms of less than 1 year to 16 years. Many of the Company's leases include options to extend the leases on a month to month basis or for set periods for up to 20 years. Many leases also include options to terminate the leases within 1 year or per other contractual terms.

The components of lease expense were as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Operating lease cost	\$ 7,865	\$ 6,681
Variable lease cost	2,666	2,337

Supplemental cash flow information related to the leases was as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6,151	\$ 5,350
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	904	8,419

Supplemental balance sheet information related to the leases was as follows (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Operating lease right-of-use assets - related parties	\$ 81,041	\$ 83,065
Operating lease right-of-use assets - non-related parties	57,762	61,736
Operating lease right-of-use assets	<u>\$ 138,803</u>	<u>\$144,801</u>
Other current liabilities - related parties	5,882	5,730
Other current liabilities - non-related parties	16,088	16,635
Other current liabilities	<u>\$ 21,970</u>	<u>\$ 22,365</u>
Operating lease liabilities - related parties	89,020	90,568
Operating lease liabilities - non-related parties	47,136	51,554
Operating lease liabilities	<u>136,156</u>	<u>142,122</u>
Total operating lease liabilities	<u>\$ 158,126</u>	<u>\$164,487</u>
Weighted Average Remaining Lease Term (years)		
Operating leases	9.9	10.0
Weighted Average Discount Rate		
Operating leases	5.6 %	5.6 %

Lease payments due related to lease liabilities as of March 31, 2024 were as follows (in thousands):

	Related Party Operating Leases	Non-Related Parties Operating Leases	Total Operating Leases
Remainder of 2024	\$ 8,571	\$ 13,392	\$ 21,963
2025	11,607	17,088	28,695
2026	11,807	13,988	25,795
2027	10,839	10,833	21,672
2028	8,609	6,035	14,644
Later years	91,669	9,422	101,091
Total lease payments	<u>143,102</u>	<u>70,758</u>	<u>213,860</u>
Less: imputed interest	<u>(48,200)</u>	<u>(7,534)</u>	<u>(55,734)</u>
Total	<u>\$ 94,902</u>	<u>\$ 63,224</u>	<u>\$ 158,126</u>

As of March 31, 2024, we have several additional leases with contractual obligations, which have not yet commenced, with future payments of \$1.7 million.

(9) Shareholder's Equity and Stock-Based Compensation

The Company granted 2,491 awards to employees under the 2016 Incentive Award Plan during the three months ended March 31, 2024, consisting of 2,491 RSU having five year vesting schedules.

[Table of Contents](#)

Award Activity

The following table sets forth the Company's stock option activity:

	Three Months Ended March 31, 2024	
	Stock Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,343,287	\$ 100.75
Granted	—	\$ —
Exercised	(148,922)	\$ 51.44
Cancelled/Forfeited/Expired	—	\$ —
Outstanding - end of period	1,194,365	\$ 106.90
Exercisable - end of period	880,177	\$ 88.01

The following table sets forth the Company's RSA/RSU activity:

	Three Months Ended March 31, 2024
	Shares/Units
Outstanding and unvested - beginning of period	390,998
Granted	2,491
Vested	(81,971)
Forfeited	(7,276)
Outstanding and unvested - end of period	304,242

Stock-based compensation expense recognized in the condensed consolidated statements of operations related to all outstanding stock based compensation awards is summarized below (in thousands):

	Three Months Ended March 31,	
	2024	2023
Total direct costs	\$ 2,470	\$ 2,940
Selling, general and administrative	1,840	2,498
Total stock-based compensation expense	\$ 4,310	\$ 5,438

(10) Income Taxes

The Company's effective income tax rate was 9.0% and 15.3% for the three months ended March 31, 2024 and 2023, respectively. The Company's effective income tax rate for the three months ended March 31, 2024 varied from the U.S. statutory rate of 21% primarily due to the impact of the state taxes, which was favorably offset by excess tax benefits recognized from share-based compensation and tax benefits related to Foreign Derived Intangible Income (FDII).

(11) Commitments and Contingencies

Legal Proceedings

The Company is involved in legal proceedings from time to time in the ordinary course of its business, including employment claims and claims related to other business transactions. The Company cannot predict with certainty the outcome of such proceedings, but it believes that adequate reserves have been recorded and losses already recognized with respect to such proceedings, which were immaterial as of March 31, 2024 and December 31, 2023. There is a reasonable possibility that a loss exceeding amounts already recognized may be incurred related to these actions; however, the Company believes that such potential losses were immaterial as of March 31, 2024.

Purchase Commitments

The Company has several minimum purchase commitments for project related supplies totaling \$14.9 million as of March 31, 2024. In return for the commitment, Medpace receives preferential pricing. The commitments expire at various times through 2029.

(12) Related Party Transactions

Employee Loans

The Company periodically extends short term loans or advances to employees, typically upon commencement of employment. Total receivables as a result of these employee advances of \$0.3 million existed at March 31, 2024 and December 31, 2023, and are included in the Prepaid expenses and other current assets and Other assets line items of the condensed consolidated balance sheets, respectively, depending on the contractual repayment date.

Service Agreement

LIB Therapeutics LLC and subsidiaries ("LIB")

Certain executives and employees of the Company, including the chief executive officer, are members of LIB's board of managers. The Company entered into a MSA dated November 24, 2015 with LIB, a company that engages in research, development, marketing and commercialization of pharmaceutical drugs. Subsequently, the Company and LIB have entered into several task orders for the Company to perform clinical trial related services. The Company recognized total revenue from LIB of \$6.5 million and \$13.3 million during the three months ended March 31, 2024 and 2023, respectively, in the Company's condensed consolidated statements of operations. As of March 31, 2024 and December 31, 2023 the Company had Advanced billings from LIB of \$6.8 million and \$7.6 million, respectively, in the condensed consolidated balance sheets. In addition, as of March 31, 2024 and December 31, 2023 the Company had Accounts receivable and unbilled, net from LIB of \$0.4 million and \$0.5 million, respectively, in the condensed consolidated balance sheets.

CinRX Pharma, subsidiaries and affiliates ("CinRx")

Certain executives and employees of the Company, including the chief executive officer, are members of CinRx's board of managers and/or have equity investments in CinRx, a biotech company. The Company and CinRx have entered into several task orders for the Company to perform clinical trial related services. The Company recognized total revenue from CinRx of \$6.3 million and \$2.5 million during the three months ended March 31, 2024 and 2023, respectively, in the Company's condensed consolidated statements of operations. As of March 31, 2024 and December 31, 2023 the Company had Advanced billings from CinRx of \$4.1 million and \$2.5 million, respectively, in the condensed consolidated balance sheets. As of March 31, 2024 and December 31, 2023 the Company had Accounts receivable and unbilled, net from CinRx of \$1.4 million and \$1.9 million, respectively, in the condensed consolidated balance sheets. In addition, as of March 31, 2024 and December 31, 2023 the Company had Prepaid expenses and other current assets with CinRx of \$0.3 million and \$0.2 million, respectively, in the condensed consolidated balance sheets.

Leased Real Estate

Campus Headquarters Leases

The Company entered into an operating lease for the occupancy of office space in a building in Cincinnati, Ohio with an entity that is wholly owned by the chief executive officer of the Company. The Company has evaluated its relationship with the related party and concluded that the related party is not a variable interest entity because the Company has no direct ownership interest or relationship other than the lease. The lease was renewed in the first quarter of fiscal year 2023 for a term of ten years through December 2032 with a renewal option for one 10-year term at prevailing market rates. The Company pays rent, taxes, insurance, and maintenance expenses that arise from the use of the property. Annual base rent for its corporate headquarters allows for adjustments to the rental rate annually for increases in the consumer price index. The Company has determined that the lease is an operating lease. Operating lease cost recognized for the three months ended March 31, 2024 and 2023 was \$0.7 million and \$0.6 million, respectively. The operating lease cost was allocated between Total direct costs and Selling, general and administrative in the condensed consolidated statements of operations. The Operating lease right-of-use assets at March 31, 2024 and December 31, 2023 were \$18.9 million and \$19.3 million, respectively, in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at March 31, 2024 were \$1.5 million and \$17.7 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance

sheets. The current and long-term portions of the lease liabilities at December 31, 2023 were \$1.5 million and \$18.1 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets.

[Table of Contents](#)

In 2018, Medpace, Inc. entered into a multi-year lease agreement governing future occupancy of additional office space in Cincinnati, Ohio with an entity that is wholly owned by the Company's chief executive officer and certain members of his immediate family. The Company began to occupy the premises in the second quarter of fiscal year 2020. The lease expires in 2040 and the Company has two 10-year options to extend the term of the lease. The Company pays rent, taxes, insurance, and maintenance expenses that arise from the use of the property. Annual base rent for the corporate headquarters allows for adjustments to the rental rate annually for increases in the consumer price index. The Company has determined that the lease is an operating lease. Operating lease cost recognized for the three months ended March 31, 2024 and 2023 was \$1.4 million. The operating lease cost was allocated between Total direct costs and Selling, general and administrative in the condensed consolidated statements of operations. The Operating lease right-of-use assets at March 31, 2024 and December 31, 2023 were \$51.4 million and \$51.9 million, respectively, in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at March 31, 2024 were \$1.4 million and \$63.2 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at December 31, 2023 were \$1.3 million and \$63.5 million, respectively and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets.

The Company entered into a multi-year lease agreement governing the occupancy of office space in a building in Cincinnati, Ohio with an entity that is wholly owned by the Company's chief executive officer and certain members of his immediate family. The Company assumed occupancy in 2012 and the lease expires in 2027 with the Company having one 10-year option to extend the lease term. The Company pays rent, taxes, insurance, and maintenance expenses that arise from the use of the property. Annual base rent for the corporate headquarters allows for adjustments to the rental rate annually for increases in the consumer price index. The Company has determined that the lease is an operating lease. Operating lease cost recognized for the three months ended March 31, 2024 and 2023 was \$0.6 million. The operating lease cost was allocated between Total direct costs and Selling, general and administrative in the condensed consolidated statements of operations. The Operating lease right-of-use assets at March 31, 2024 and December 31, 2023 were \$8.0 million and \$8.5 million, respectively, in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at March 31, 2024 were \$2.1 million and \$5.9 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at December 31, 2023 were \$2.1 million and \$6.4 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets.

The Company entered into a multi-year lease agreement governing the occupancy of office space in a building in Cincinnati, Ohio with an entity that is wholly owned by the Company's chief executive officer and certain members of his immediate family. The Company assumed occupancy in 2012 and the lease expires in 2027 with the Company having one 10-year option to extend the lease term. In the first quarter of 2024, the Company reduced the lease term in connection with a plan to replace the leased office beginning in early 2025. The Company pays rent, taxes, insurance, and maintenance expenses that arise from the use of the property. Annual base rent for the corporate headquarters allows for adjustments to the rental rate annually for increases in the consumer price index. The Company has determined that the lease is an operating lease. Operating lease cost recognized for the three months ended March 31, 2024 and 2023 was \$0.7 million and \$0.3 million. The operating lease cost was allocated between Total direct costs and Selling, general and administrative in the condensed consolidated statements of operations. The Operating lease right-of-use assets at March 31, 2024 and December 31, 2023 were \$2.7 million and \$3.4 million, respectively, in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at March 31, 2024 were \$0.9 million and \$2.3 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets. The current and long-term portions of the lease liabilities at December 31, 2023 were \$0.9 million and \$2.5 million, respectively, and were recognized in Other current liabilities and Operating lease liabilities in the condensed consolidated balance sheets.

Travel Services

The Company incurs expenses for travel services for company executives provided by private aviation charter companies which is a company controlled by the chief executive officer of the Company (each a "private aviation charter"). The Company may contract directly with the private aviation charter for the use of its aircraft or indirectly through a third party aircraft management and jet charter company (the "Aircraft Management Company"). The travel services provided are primarily for business purposes, with certain personal travel paid for as part of the executives' compensation arrangements. The Aircraft Management Company also makes the private aviation charter aircraft available to third parties. The Company incurred travel expenses of \$0.3 million and \$0.4 million during the three months ended March 31, 2024 and 2023, respectively, related to these travel services. These travel expenses are

recorded in Selling, general and administrative in the Company's condensed consolidated statements of operations. As of March 31, 2024 and December 31, 2023, the

Company had Accounts payable to the Aircraft Management Company of \$0.1 million and \$0.4 million, respectively, in the condensed consolidated balance sheets.

(13) Entity Wide Disclosures

Revenue by Category

The following table disaggregates our revenue by major source (in thousands):

	Three Months Ended March 31,	
	2024	2023
<u>Therapeutic Area</u>		
Oncology	\$ 155,198	\$ 141,951
Other	108,400	87,104
Metabolic	103,639	86,840
Cardiology	55,637	46,617
Central Nervous System	44,136	38,697
AVAI	44,034	32,865
Total revenue	<u>\$ 511,044</u>	<u>\$ 434,074</u>

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and with the information under the heading "Management Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. This item and the related discussion contain forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those indicated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to, those discussed under the "Forward-Looking Statements" below and "Risk Factors" in "Item 1A Risk Factors" of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained herein, are forward looking statements. Forward looking statements include, without limitation, statements regarding our results of operations; financial position and performance; liquidity and our ability to fund our business operations and initiatives; capital expenditure and debt service obligations; business strategies, plans and goals, including those related to marketing, acquisitions and expansion of our business; product approvals and plans; industry trends; general economic conditions, including inflation and other pricing pressures that could decrease our operating margins; expectations regarding consumer behaviors and trends; our culture and operating philosophy; human resource management; arrangements with and delivery of our services to the customers; conversion of backlog; dividend policy; legal proceedings; and our objectives for future operations. The words "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "target," "likely," "opportunity," "may," "could," "outlook," "can," "trend," "might," "drives," "hope," "potential," "project," "predict," and similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are based largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Any forward-looking statement speaks only as of the date it is made. These forward-looking statements are subject to inherent uncertainties, risks, changes in circumstances and other important factors that are difficult to predict. Moreover, we operate in a very competitive and rapidly changing environment in which new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all important factors on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed may not occur and our financial condition and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. In other words, these statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. We caution you therefore against relying on these forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. For a further discussion of the risks relating to our business, see "Item 1A Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and "Part II – Other Information, Item 1A Risk Factors" herein.

Business Overview

We are one of the world's leading clinical contract research organizations, or CROs, by revenue, solely focused on providing scientifically-driven outsourced clinical development services to the biotechnology, pharmaceutical and medical device industries. Our mission is to accelerate the global development of safe and effective medical therapeutics. We differentiate ourselves from our competitors by our disciplined operating model centered on providing full-service Phase I-IV clinical development services and our therapeutic expertise. We believe this combination results in timely and cost-effective delivery of clinical development services for our customers. We believe that we are a partner of choice for small- and mid-sized biopharmaceutical companies based on our ability to consistently utilize our full-service, disciplined operating model to deliver timely and high-quality results for our customers.

[Table of Contents](#)

We focus on conducting clinical trials across all major therapeutic areas, with particular strength in Oncology, Metabolic Disease, Cardiology, Central Nervous System, or CNS, and Antiviral and Anti-infective, or AVAI. Our global platform includes approximately 5,800 employees across 42 countries as of March 31, 2024, providing our customers with broad access to diverse markets and patient populations as well as local regulatory expertise and market knowledge.

How We Generate Revenue

We earn fees through the performance of services detailed in our customer contracts. Contract scope and pricing is typically based on either a fixed-fee or unit-of-service model, with consideration of activities performed by third parties, as well as ancillary costs necessary to deliver on the contract scope that are reimbursable by our customers. Our contracts can range in duration from a few months to several years. These contracts are individually priced and negotiated based on the anticipated project scope, including the complexity of the project and the performance risks inherent in the project. The majority of our contracts are structured with an upfront fee that is collected at the time of contract signing, and the balance of the fee is collected over the duration of the contract either through an arranged billing schedule or upon completion of certain performance targets or defined milestones.

Revenue, which is distinct from billing and cash receipt, is recognized based on the satisfaction of the individual performance obligations identified in each contract. Substantially all of our customer contracts consist of a single performance obligation, as the promise to transfer the individual services defined in the contracts are not separately identifiable from other promises in the contract, and therefore not distinct. Our performance obligations are generally satisfied over time and recognized as services are performed. The progression of our contract performance obligations are measured primarily utilizing the input method of cost to cost. Cancellation provisions in our contracts allow our customers to terminate a contract either immediately or according to advance notice terms specified within the applicable contract, which is typically 30 days. Contract cancellation may occur for various reasons, including, but not limited to, adverse patient reactions, lack of efficacy, or inadequate patient enrollment. Upon cancellation, we are entitled to fees for services rendered through the date of termination, including payment for subsequent services necessary to conclude the study or close out the contract. These fees are typically discussed and agreed upon with the customer and are realized as revenue when we believe the amount can be estimated reliably and its realization is probable. Changes in revenue from period to period are driven primarily by new business volume and task order execution activity, project cancellations, and the mix of active studies during a given period that can vary based on therapeutic area and or study life cycle stage.

Costs and Expenses

Our costs and expenses are comprised primarily of our total direct costs, selling, general and administrative costs, depreciation and amortization and income taxes.

Total Direct Costs

Total direct costs are primarily driven by labor and related employee benefits, but also include contracted third party service related expenses, fees paid to site investigators, reimbursed out of pocket expenses, laboratory supplies and other expenses contributing to service delivery. The other costs of service delivery can include office rent, utilities, supplies and software licenses which are allocated between Total direct costs and selling, general and administrative expenses based on the estimated contribution among service delivery and support function efforts on a percentage basis. Total direct costs are expensed as incurred and are not deferred in anticipation of contracts being awarded or finalization of changes in scope. Total direct costs, as a percentage of net revenue, can vary from period to period due to project labor efficiencies, changes in workforce, compensation/bonus programs and service mix.

Selling, General and Administrative

Selling, general and administrative expenses are primarily driven by compensation and related employee benefits, as well as rent, utilities, supplies, software licenses, professional fees (e.g., legal and accounting expenses), bad debt expense, travel, marketing and other operating expenses.

Depreciation

Depreciation is provided on our property and equipment on the straight-line method at rates adequate to allocate the cost of the applicable assets over their estimated useful lives, which is three to five years for computer hardware, software, phone, and medical imaging equipment, five to seven years for furniture and fixtures and other equipment, and thirty to forty years for buildings. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvement or the associated remaining lease term.

Amortization

Amortization relates to finite-lived intangible assets recognized as expense using the straight-line method or using an accelerated method over their estimated useful lives of 15 years.

Income Tax Provision

Income tax provision consists of federal, state and local taxes on income in multiple jurisdictions. Our income tax is impacted by the pre-tax earnings in jurisdictions with varying tax rates and any related tax credits that may be available to us. Our current and future provision for income taxes will vary from statutory rates due to the impact of valuation allowances in certain countries, income tax incentives, certain non-deductible expenses, and other discrete items.

Key Performance Metrics

To evaluate the performance of our business, we utilize a variety of financial and performance metrics. These key measures include new business awards, cancellations and backlog.

New Business Awards, Cancellations and Backlog

New business awards represent the value of anticipated future net revenue that has been awarded during the period that is recognized in backlog. This value is recognized upon the signing of a contract or receipt of a written pre-contract confirmation from a customer that confirms an agreement in principle on budget and scope. New business awards also include contract amendments, or changes in scope, where the customer has provided written authorization for changes in budget and scope or has approved us to perform additional work as of the measurement date. Awards may not be recognized as backlog after consideration of a number of factors, including whether (i) the relevant net revenue is expected only after a pending regulatory hurdle, which might result in cancellation of the study, (ii) the customer funding needed for commencement of the study is not believed to have been secured or (iii) study timelines are uncertain or not well defined. In addition, study amounts that extend beyond a three-year timeline are not included in backlog. The number and amount of new business awards can vary significantly from period to period, and an award's contractual duration can range from several months to several years based on customer and project specifications.

Cancellations arise in the normal course of business and are reflected when we receive written confirmation from the customer to cease work on a contractual agreement. The majority of our customers can terminate our contracts without cause upon 30 days' notice. Similar to new business awards, the number and amount of cancellations can vary significantly period over period due to timing of customer correspondence and study-specific circumstances.

Net new business awards represent gross new business awards received in a period offset by total cancellations in that period. Net new business awards were \$615.6 million and \$555.8 million for the three months ended March 31, 2024 and 2023, respectively.

Backlog represents anticipated future net revenue from net new business awards that have not commenced or are currently in process but not complete. Reported backlog will fluctuate based on new business awards, changes in the scope of existing contracts, cancellations, revenue recognition on existing contracts and foreign exchange adjustments from non-U.S. dollar denominated backlog. As of March 31, 2024, our backlog increased by \$447.0 million, or 18.2%, to \$2,907.1 million compared to \$2,460.1 million as of March 31, 2023. Included within backlog as of March 31, 2024 was approximately \$1,550.0 million to \$1,570.0 million that we expect to convert to net revenue over the next twelve months, with the remainder expected to convert to net revenue thereafter.

The effect of foreign currency adjustments on backlog was as follows: unfavorable foreign currency adjustments of \$6.8 million for the three months ended March 31, 2024 and favorable foreign currency adjustments of \$3.0 million for the three months ended March 31, 2023.

Backlog and net new business award metrics may not be reliable indicators of our future period revenue as they are subject to a variety of factors that may cause material fluctuations from period to period. These factors include, but are not limited to, changes in the scope of projects, cancellations, and duration and timing of services provided.

Exchange Rate Fluctuations

The majority of our contracts and operational transactions are U.S. dollar denominated. The Euro represents the largest foreign currency denomination of our contractual and operational exposure. As a result, a portion of our revenue and

expenses are subject to exchange rate fluctuations. We have translated the Euro into U.S. dollars using the following average exchange rates based on data obtained from www.xe.com:

	Three Months Ended March 31,	
	2024	2023
U.S. Dollars per Euro:	1.09	1.07

Results of Operations

Three Months Ended March 31, 2024 compared to Three Months Ended March 31, 2023

(Amounts in thousands, except percentages)	Three Months Ended March 31,		Change	% Change
	2024	2023		
Revenue, net	\$ 511,044	\$ 434,074	\$ 76,970	17.7 %
Direct service costs, excluding depreciation and amortization	171,492	151,068	20,424	13.5 %
Reimbursed out-of-pocket expenses	184,410	152,817	31,593	20.7 %
Total direct costs	355,902	303,885	52,017	17.1 %
Selling, general and administrative	44,081	38,027	6,054	15.9 %
Depreciation	6,631	5,408	1,223	22.6 %
Amortization	361	550	(189)	(34.4)%
Total operating expenses	406,975	347,870	59,105	17.0 %
Income from operations	104,069	86,204	17,865	
Miscellaneous income, net	4,593	687	3,906	
Interest income (expense), net	4,120	(861)	4,981	
Income before income taxes	112,782	86,030	26,752	
Income tax provision	10,191	13,136	(2,945)	
Net income	\$ 102,591	\$ 72,894	\$ 29,697	

Total revenue

Total revenue increased by \$77.0 million to \$511.0 million for the three months ended March 31, 2024, from \$434.1 million for the three months ended March 31, 2023. The increase for the three months ended March 31, 2024 was broad based, but primarily driven by growth within the Metabolic, Oncology, AVAI and Other uncategorized therapeutic areas, compared to the same period in the prior year.

Total direct costs

Total direct costs increased by \$52.0 million, to \$355.9 million for the three months ended March 31, 2024 from \$303.9 million for the three months ended March 31, 2023. The increase was primarily attributed to higher reimbursed out-of-pocket expenses and higher personnel costs to support the growth in service activities. Reimbursed out-of-pocket expenses, which can fluctuate significantly from period to period based on the timing of program initiation and closeout, increased \$31.6 million for the three months ended March 31, 2024, compared to the same period in the prior year. The higher personnel costs portion increased by \$20.2 million for the three months ended March 31, 2024, compared to the same periods in the prior year.

Selling, general and administrative

Selling, general and administrative expenses increased by \$6.1 million, to \$44.1 million for the three months ended March 31, 2024 from \$38.0 million for the three months ended March 31, 2023. The increase was primarily attributed to higher personnel costs to support the growth in service activities. The higher personnel costs portion increased by \$4.7 million for the three months ended March 31, 2024, compared to the same periods in the prior year.

Depreciation and Amortization

Depreciation and amortization expense increased by \$1.0 million to \$7.0 million for the three months ended March 31, 2024 from \$6.0 million for the three months ended March 31, 2023. The increase in depreciation and amortization was primarily related to increased depreciation related to Property and equipment, net.

Miscellaneous income, net

Miscellaneous income, net increased by \$3.9 million to \$4.6 million for the three months ended March 31, 2024 from \$0.7 million for the three months ended March 31, 2023. These changes were mainly attributable to foreign exchange gains and losses that arise in connection with the revaluation of short-term intercompany balances between our domestic and international subsidiaries and from the settlement of third-party accounts receivables and payables denominated in a currency other than the local currency of the entity making the payment and proceeds from the recovery of a note receivable.

Income tax provision

Income tax provision decreased by \$2.9 million, to \$10.2 million for the three months ended March 31, 2024 from \$13.1 million for the three months ended March 31, 2023. The overall effective tax rate for the three months ended March 31, 2024 was 9.0%, compared to an overall effective tax rate of 15.3% for the three months ended March 31, 2023. The decrease in the income tax provision was primarily attributable to an increase in excess tax benefits recognized from share-based compensation and tax benefits related to Foreign Derived Intangible Income ("FDII") which was partially offset by an increase in pre-tax book income compared to the same period in the prior year. The decrease in the overall effective tax rate for the three months ended March 31, 2024 was primarily attributable to an increase in excess tax benefits recognized from share-based compensation and tax benefits related to FDII compared to the same period in the prior year.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal sources of liquidity are operating cash flows and from borrowings under our unsecured credit facility consisting of up to a \$10.0 million revolving line of credit which we entered into on September 30, 2019 (the "Credit Facility"), and has subsequently been amended. As of March 31, 2024, we had cash and cash equivalents of \$407.0 million which increased from \$245.4 million as of December 31, 2023. Approximately \$24.0 million of cash and cash equivalents, none of which was restricted, was held by our foreign subsidiaries as of March 31, 2024.

As of March 31, 2024, we had \$10.0 million available for borrowing under the Credit Facility. Our expected primary cash needs on both a short and long-term basis are for investment in operational growth, including additional lease commitments, capital expenditures, share repurchases, selective strategic bolt-on acquisitions, other investments, and other general corporate needs. We have historically funded our operations and growth with cash flow from operations and borrowings under our credit facilities. We expect to continue expanding our operations through organic growth and potentially highly selective bolt-on acquisitions and investments. As of March 31, 2024, cash commitments to support operating business needs include lease liabilities discussed in Note 8 of the Condensed Consolidated Financial Statements, purchase commitments discussed in Note 11 of the Condensed Consolidated Financial Statements and capital expenditures primarily related to infrastructure investments in our facilities, equipment and technology. Capital spending as a percentage of revenue decreased by 111 basis points to 1.08% in the three months ended March 31, 2024, compared to the same period in the prior year. We expect these activities will be funded from existing cash, cash flow from operations and, if necessary, borrowings under our existing or future credit facilities or other debt. We have deemed that foreign earnings will be indefinitely reinvested and therefore we have not provided taxes on these earnings. While we do not anticipate the need to repatriate these foreign earnings for liquidity purposes given our cash flows from operations and borrowings under existing and future credit facilities, we would incur taxes on these earnings if the need for repatriation due to liquidity purposes arises.

Cash Flows (Amounts in thousands)	Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 152,677	\$ 80,076
Net cash provided by (used in) investing activities	2,530	(9,503)
Net cash provided by (used in) financing activities	7,660	(52,683)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1,306)	767
Increase in cash, cash equivalents and restricted cash	<u>\$ 161,561</u>	<u>\$ 18,657</u>

Cash Flow from Operating Activities

Cash flows from operations are driven mainly by net income, depreciation, stock-based compensation expense, noncash lease expense and net movement in advanced billings, accrued expenses and accounts receivable and unbilled, net. Accounts receivable and unbilled, net and advanced billings fluctuate on a regular basis as we perform our services, bill our customers and ultimately collect on those receivables. We attempt to negotiate payment terms in order to provide for payments prior to or soon after the provision of services, but this timing of collection can vary significantly on a period by period comparative basis.

Net cash flows provided by operating activities was \$152.7 million for the three months ended March 31, 2024 beginning with net income of \$102.6 million. Adjustments to reconcile net income to net cash provided by operating activities were \$11.9 million, primarily related to depreciation of \$6.6 million, noncash lease expense of \$5.7 million and stock based compensation expense of \$4.3 million. Changes in operating assets and liabilities provided \$38.2 million in operating cash flows and was primarily driven by increased advanced billings of \$56.8 million and decreased accounts receivable and unbilled, net of \$19.1 million, partially offset by decreased accrued expenses of \$21.1 million and increased prepaid expenses and other current assets of \$9.2 million.

Net cash flows provided by operating activities was \$80.1 million for the three months ended March 31, 2023 beginning with net income of \$72.9 million. Adjustments to reconcile net income to net cash provided by operating activities were \$13.6 million, primarily related to stock based compensation expense of \$5.4 million, depreciation of \$5.4 million and noncash lease expense of \$4.8 million. Changes in operating assets and liabilities used \$6.5 million in operating cash flows and was primarily driven by increased prepaid expenses and other current assets of \$10.2 million, decreased accrued expenses of \$9.4 million and decreased lease liabilities of \$5.3 million, offset by increased other assets and liabilities, net of \$15.0 million and increased accounts payable of \$4.5 million.

Cash Flow from Investing Activities

Net cash provided by investing activities was \$2.5 million for the three months ended March 31, 2024 primarily consisting of \$8.0 million in other investing activity, partially offset by \$5.5 million of property and equipment expenditures.

Net cash used in investing activities was \$9.5 million for the three months ended March 31, 2023 primarily consisting of property and equipment expenditures.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$7.7 million for the three months ended March 31, 2024 related to proceeds from stock option exercises.

Net cash used in financing activities was \$52.7 million for the three months ended March 31, 2023 primarily related to \$120.1 million in repurchases of common stock and \$25.0 million in repayments of the Credit Facility, partially offset by \$90.0 million in proceeds related to the Credit Facility and \$2.5 million in proceeds from stock option exercises.

Share Repurchases

In the fourth quarter of 2022, the Board approved a stock repurchase program of up to \$500.0 million. The Company did not execute any share repurchases during the three months ended March 31, 2024. During the three months ended March 31, 2023, the Company repurchased 654,787 shares for \$120.1 million. As of March 31, 2024, the Company has remaining authorization of \$308.8 million under the repurchase program.

Repurchases under the share repurchase program are executed in the open market or negotiated transactions under trading plans put in place pursuant to Rule 10b5-1. The Company constructively retired the repurchased shares associated with these approved share repurchases, except for a small portion which were retained as Treasury Shares on the condensed consolidated statements of shareholders' equity. Retired share repurchase amounts paid in excess of par value are reflected within Accumulated deficit/Retained earnings in the Company's condensed consolidated balance sheets.

Indebtedness

As of March 31, 2024, we had no indebtedness and less than \$0.1 million in letters of credit outstanding related to certain operating lease obligations, which are secured by the Credit Facility. Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for details regarding our Credit Facility.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP, requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience and other assumptions. Actual results could differ from our estimates. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

There have been no significant changes in the critical accounting policies and estimates as previously described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Effect of Recent Accounting Pronouncements

Refer to Note 1 of the Condensed Consolidated Financial Statements for management's discussion of the effect of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our quantitative and qualitative disclosures about market risk as compared to the quantitative and qualitative disclosures about market risk described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

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

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer (the Principal Executive Officer) and Chief Financial Officer (the Principal Financial Officer), has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13(a)-15(e) and 15(d) -15(e) of the Securities Exchange Act of 1934 ("Exchange Act"), as of the end of the period covered by this report. Based on this evaluation, we concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's forms and rules, and the material information relating to the Company is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that control objectives are met. Because of inherent limitations in all control systems, no evaluation of controls can provide assurance that all control issues and instances of fraud, if any, within a company will be detected. Additionally, controls

can be circumvented by individuals, by collusion of two or more people or by management override. Over time, controls can become inadequate because of changes in conditions or the degree of compliance may deteriorate. Further, the design of any system of controls is based in part upon assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all future conditions. Because of the inherent limitations in any cost-effective control system, misstatements due to errors or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

In the ordinary course of business, we routinely enhance our information systems by either upgrading current systems or implementing new ones. There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are party to legal proceedings incidental to our business. While the outcome of these matters could differ from management's expectations, we do not believe that the resolution of these matters is reasonably likely to have a material adverse effect to our financial statements.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no significant changes from the risk factors previously disclosed in our Annual Report.

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

Use of Proceeds from Registered Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K, except as described in the table below:

[Table of Contents](#)

	Action	Date	Trading Arrangement		Total Shares to be Purchased or Sold	Duration/Expiration Date
			Rule 10b5-1*	Non-Rule 10b5-1**		
Medpace Investors, LLC [1]	Adopt	February 16, 2024 [2]		X	Up to 50,000 shares to be sold	Good until cancelled
Medpace Investors, LLC [1]	Adopt	February 20, 2024 [3]		X	Up to 50,000 shares to be sold	Good until cancelled
Medpace Investors, LLC [1]	Adopt	February 22, 2024 [4]		X	Up to 100,000 shares to be sold	Good until cancelled
Medpace Investors, LLC [1]	Adopt	February 23, 2024 [5]		X	Up to 156,928 shares to be sold	Good until cancelled
Ashley M. Keating, Director	Adopt	February 26, 2024 [6]		X	Up to 1,972 shares to be sold	The earlier of until cancelled or 180 days from the placement of the limit order
Medpace Investors, LLC [1]	Adopt	February 27, 2024 [7]		X	Up to 100,000 shares to be sold	Good until cancelled
Medpace Investors, LLC [1]	Adopt	February 29, 2024 [8]		X	Up to 100,000 shares to be sold	Good until cancelled
Medpace Investors, LLC [1]	Adopt	March 4, 2024 [9]		X	Up to 100,000 shares to be sold	Good until cancelled
Jesse J. Geiger, President	Adopt	March 4, 2024 [10]		X	Up to 22,321 shares to be sold	March 4, 2024
Medpace Investors, LLC [1]	Adopt	March 6, 2024 [11]		X	Up to 100,000 shares to be sold	Good until cancelled
Medpace Investors, LLC [1]	Adopt	March 7, 2024 [12]		X	Up to 100,000 shares to be sold	Good until cancelled
Susan E. Burwig, Executive Vice President, Operations	Adopt	March 15, 2024 [13]		X	Up to 7,783 shares to be sold	March 15, 2024

* Intended to satisfy the affirmative defense of Rule 10b5-1(c).

** Not intended to satisfy the affirmative defense of Rule 10b5-1(c).

[1] August J. Troendle, Chief Executive Officer and Chairman of the Board of the Company, is the sole manager and controlling unit holder of Medpace Investors, LLC ("MPI") and has sole voting and investment control with respect to the securities held by MPI. Mr. Troendle may be deemed to indirectly beneficially own the securities of the Company held by MPI but disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

[2] On February 16, 2024, MPI placed a limit order to sell up to 50,000 shares that were previously acquired through open market purchases.

[3] On February 20, 2024, MPI placed a limit order to sell up to 50,000 shares that were previously acquired through open market purchases.

[Table of Contents](#)

[4] On February 22, 2024, MPI placed a limit order to sell up to 100,000 shares that were previously acquired through open market purchases.

[5] On February 23, 2024, MPI placed a limit order to sell up to 156,928 shares that were previously acquired through open market purchases.

[6] On February 26, 2024, Ms. Keating placed multiple limit orders at multiple different prices to sell up to 1,972 shares issued to her pursuant to her contemporaneous exercise of stock options. On March 14, 2024, Ms. Keating cancelled her last sell order and executed a sell to cover trade.

[7] On February 27, 2024, MPI placed a limit order to sell up to 100,000 shares that were previously acquired from the Company as part of a transaction with a private equity firm.

[8] On February 29, 2024, MPI placed a limit order to sell up to 100,000 shares that were previously acquired from the Company as part of a transaction with a private equity firm.

[9] On March 4, 2024, MPI placed a limit order to sell up to 100,000 shares that were previously acquired from the Company as part of a transaction with a private equity firm.

[10] On March 4, 2024, Mr. Geiger placed a limit order to sell up to 22,321 shares issued to him pursuant to his contemporaneous exercise of stock options.

[11] On March 6, 2024, MPI placed a limit order to sell up to 100,000 shares that were previously acquired from the Company as part of a transaction with a private equity firm.

[12] On March 7, 2024, MPI placed a limit order to sell up to 100,000 shares that were previously acquired from the Company as part of a transaction with a private equity firm.

[13] On March 15, 2024, Ms. Burwig placed a limit order to sell up to 7,783 shares that were acquired upon the vesting of restricted shares.

Item 6. Exhibits

The exhibits in the accompanying Exhibit Index preceding the signature page are filed or furnished as a part of this report and are incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
#10.1	Form of Medpace Holdings, Inc. 2016 Incentive Award Plan Stock Option Grant Notice and Stock Option Agreement					*
#10.2	Form of Medpace Holdings, Inc. 2016 Incentive Award Plan Restricted Stock Unit Award Grant Notice					*
10.3	Amendment No. 6 dated March 28, 2024 to Loan Documents	8-K	001-37856	10.1	3/29/2024	
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer					*
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer					*
32.1	Section 1350 Certification of Chief Executive Officer					**
32.2	Section 1350 Certification of Chief Financial Officer					**
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 Document					*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan.

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.

MEDPACE HOLDINGS, INC.

/s/ Kevin M. Brady

Kevin M. Brady

Chief Financial Officer

(Principal Financial Officer)

Date: April 23, 2024