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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from ________ to ________

Commission file number 001-40806

Freshworks Inc.

(Exact name of registrant as specified in its charter)

Delaware	**2950 S Delaware Street, Suite 201**	**33-1218825**
(State or other jurisdiction of incorporation or organization)	**San Mateo, CA 94403**	**(I.R.S. Employer Identification No.)**

(Address of Principal executive offices)

(650) 513-0514
Registrant's telephone number, including area code
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.00001 per share	FRSH	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

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

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

As of October 28, 2022, the number of shares of registrant’s Class A common stock outstanding was 161,102,744 and the number of shares of the registrant’s Class B common stock outstanding was 126,814,106.

FRESHWORKS INC.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations are forward-looking statements. In some cases, forward-looking statements may be identified by words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will" or "would," or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our annual recurring revenue (ARR), revenue, expenses, and other operating results;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to increase the number of users who access our platform;
- our ability to increase usage of existing products;
- our ability to effectively manage our growth, including any international expansion;
- the effects of fluctuations in the value of foreign currencies relative to the U.S. dollar;
- our ability to achieve or sustain profitability;
- future investments in our business, our anticipated capital expenditures, and our estimates regarding our capital requirements;
- the costs and success of our sales and marketing efforts, and our ability to maintain and enhance our brand;
- the estimated addressable market opportunity for existing products and new products;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- our ability to protect our intellectual property rights and any costs associated therewith;
- the effects of the coronavirus, or COVID-19, pandemic or other public health crises;
- our ability to operate our business and effectively manage our growth under evolving and uncertain macroeconomic conditions, such as high inflation and recessionary environments;
- our ability to compete effectively with existing competitors and new market entrants; and
- the size and growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

Where You Can Find More Information

We announce material information to the public through a variety of means, including filings with the U.S. Securities and Exchange Commission, press releases, public conference calls, our website (freshworks.com) and the investor relations section of our website (ir.freshworks.com). We use these channels to communicate with investors and the public about our company, our products and services and other matters. Therefore, we encourage investors, the media and others interested in our company to review the information we make public in these locations, as such information could be deemed to be material information.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

FRESHWORKS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 432,313	$ 747,861
Marketable securities	719,218	575,679
Accounts receivable, net of allowance of $5,500 and $6,030	56,835	51,756
Deferred contract acquisition costs	18,282	14,640
Prepaid expenses and other current assets	42,431	31,440
Total current assets	1,269,079	1,421,376
Property and equipment, net	23,381	21,478
Operating lease right-of-use assets	28,821	—
Deferred contract acquisition costs, noncurrent	17,598	15,007
Intangible assets, net	579	1,894
Goodwill	6,181	6,181
Deferred tax assets	5,396	6,284
Other assets	12,050	10,592
Total assets	$ 1,363,085	$ 1,482,812
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,873	$ 6,321
Accrued liabilities	57,447	55,829
Deferred revenue	190,969	160,173
Income tax payable	65	1,023
Total current liabilities	252,354	223,346
Operating lease liabilities, non-current	24,630	—
Other liabilities	26,098	21,427
Total liabilities	303,082	244,773
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.00001 par value per share; 10,000,000 shares authorized as of September 30, 2022 and December 31, 2021; zero shares issued and outstanding as of September 30, 2022 and December 31, 2021	—	—
Class A common stock, $0.00001 par value per share; 1,000,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 150,644,801 and 50,554,821 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	2	—
Class B common stock, $0.00001 par value per share; 350,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 136,437,496 and 222,739,562 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	1	3

FRESHWORKS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	September 30, 2022	December 31, 2021
Additional paid-in capital	4,516,386	4,509,724
Accumulated other comprehensive loss	(8,790)	(747)
Accumulated deficit	(3,447,596)	(3,270,941)
Total stockholders' equity	1,060,003	1,238,039
Total liabilities and stockholders' equity	$ 1,363,085	$ 1,482,812

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

FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	$ 128,760	$ 96,614	$ 364,829	$ 265,542
Cost of revenue	24,179	22,236	70,616	57,632
Gross profit	104,581	74,378	294,213	207,910
Operating expense:				
Research and development	35,871	57,087	100,885	91,377
Sales and marketing	86,865	96,785	248,369	188,155
General and administrative	40,133	60,759	117,723	76,785
Total operating expenses	162,869	214,631	466,977	356,317
Loss from operations	(58,288)	(140,253)	(172,764)	(148,407)
Interest and other income, net	2,249	22,923	2,609	23,428
Loss before income taxes	(56,039)	(117,330)	(170,155)	(124,979)
Provision for (benefit from) income taxes	1,804	(9,915)	6,500	(7,720)
Net loss	(57,843)	(107,415)	(176,655)	(117,259)
Accretion of redeemable convertible preferred stock	—	(2,264,838)	—	(2,646,662)
Net loss attributable to common stockholders - basic and diluted	$ (57,843)	$ (2,372,253)	$ (176,655)	$ (2,763,921)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.20)	$ (24.72)	$ (0.62)	$ (32.96)
Weighted average shares used in computing net loss per share attributable to common stockholders - basic and diluted	286,697	95,930	283,258	83,860

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

FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (57,843)	$ (107,415)	$ (176,655)	$ (117,259)
Other comprehensive loss:				
Unrealized loss on marketable securities	(2,481)	(18)	(8,043)	(431)
Comprehensive loss	$ (60,324)	$ (107,433)	$ (184,698)	$ (117,690)

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

FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)
(unaudited)

	Three Months Ended September 30, 2022							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount				
Balances as of June 30, 2022	—	$ —	285,558	$ 3	$ 4,475,669	$ (6,309)	$ (3,389,753)	$ 1,079,610
Issuance of common stock upon exercise of stock options	—	—	34	—	3	—	—	3
Issuance of common stock upon vesting and settlement of restricted stock units, net of shares withheld for taxes	—	—	1,490	—	(13,230)	—	—	(13,230)
Stock-based compensation	—	—	—	—	53,944	—	—	53,944
Unrealized loss on marketable securities	—	—	—	—	—	(2,481)	—	(2,481)
Net loss	—	—	—	—	—	—	(57,843)	(57,843)
Balances as of September 30, 2022	—	$ —	287,082	$ 3	$ 4,516,386	$ (8,790)	$ (3,447,596)	$ 1,060,003

	Three Months Ended September 30, 2021							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balances as of June 30, 2021	153,938	$ 3,276,920	77,756	$ 1	$ —	$ (2)	$ (3,088,790)	$ (3,088,791)
Accretion of redeemable convertible preferred stock	—	2,264,838	—	—	(2,264,838)	—	—	(2,264,838)
Conversion of redeemable convertible preferred stock into common stock upon initial public offering	(153,938)	(5,541,758)	153,938	2	5,541,756	—	—	5,541,758
Issuance of common stock upon initial public offering, net of underwriting discount and offering expenses	—	—	31,350	—	1,062,453	—	—	1,062,453
Issuance of common stock upon exercise of stock options	—	—	73	—	12	—	—	12
Stock-based compensation	—	—	—	—	124,717	—	—	124,717
Unrealized loss on marketable securities	—	—	—	—	—	(18)	—	(18)
Net loss	—	—	—	—	—	—	(107,415)	(107,415)
Balances as of September 30, 2021	—	$ —	263,117	$ 3	$ 4,464,100	$ (20)	$ (3,196,205)	$ 1,267,878

FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands)
(unaudited)

	Nine Months Ended September 30, 2022							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' (Deficit) Equit
	Shares	Amount	Shares	Amount				
Balances as of December 31, 2021	—	$ —	273,294	$ 3	$ 4,509,724	$ (747)	$ (3,270,941)	$ 1,238,039
Issuance of common stock upon exercise of stock options	—	—	389	—	106	—	—	106
Issuance of common stock upon vesting and settlement of restricted stock units, net of shares withheld for taxes	—	—	12,889	—	(152,330)	—	—	(152,330
Issuance of common stock under employee stock purchase plan, net of shares withheld and retired for taxes	—	—	510	—	6,959	—	—	6,959
Stock-based compensation	—	—	—	—	151,927	—	—	151,927
Unrealized loss on marketable securities	—	—	—	—	—	(8,043)	—	(8,043
Net loss	—	—	—	—	—	—	(176,655)	(176,655
Balances as of September 30, 2022	—	$ —	287,082	$ 3	$ 4,516,386	$ (8,790)	$ (3,447,596)	$ 1,060,003

	Nine Months Ended September 30, 2021							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders Deficit
	Shares	Amount	Shares	Amount				
Balances as of December 31, 2020	153,938	$ 2,895,096	77,619	$ 1	$ —	$ 411	$ (2,697,153)	$ (2,696,74
Accretion of redeemable convertible preferred stock	—	2,646,662	—	—	(2,264,869)	—	(381,793)	(2,646,662
Conversion of redeemable convertible preferred stock into common stock upon initial public offering	(153,938)	(5,541,758)	153,938	2	5,541,756	—	—	5,541,75
Issuance of common stock upon initial public offering, net of underwriting discount and offering expenses	—	—	31,350	—	1,062,453	—	—	1,062,45
Issuance of common stock upon exercise of stock options	—	—	210	—	43	—	—	4
Stock-based compensation	—	—	—	—	124,717	—	—	124,71
Unrealized loss on marketable securities	—	—	—	—	—	(431)	—	(43
Net loss	—	—	—	—	—	—	(117,259)	(117,259
Balances as of September 30, 2021	—	$ —	263,117	$ 3	$ 4,464,100	$ (20)	$ (3,196,205)	$ 1,267,87

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

FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash Flows from Operating Activities:		
Net loss	$ (176,655)	$ (117,259)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,574	9,792
Amortization of deferred contract acquisition costs	13,321	9,085
Non-cash lease expense	4,463	—
Stock-based compensation	150,652	124,259
Premium amortization on marketable securities	564	1,206
Gain realized on sale of marketable securities and non-marketable equity investment	—	(23,835)
Change in fair value of equity securities	(75)	(100)
Deferred income taxes	309	(11,721)
Other	1,468	133
Changes in operating assets and liabilities:		
Accounts receivable	(5,256)	(10,039)
Deferred contract acquisition costs	(19,554)	(17,032)
Prepaid expenses and other assets	(12,374)	(14,823)
Accounts payable	(1,962)	(542)
Accrued and other liabilities	3,874	18,517
Deferred revenue	30,796	38,975
Operating lease liabilities	(7,837)	—
Net cash (used in) provided by operating activities	(9,692)	6,616
Cash Flows from Investing Activities:		
Purchases of property and equipment	(5,288)	(4,056)
Proceeds from sale of property and equipment	132	565
Capitalized internal-use software	(3,828)	(3,050)
Sale of non-marketable equity investment	—	23,979
Purchases of marketable securities	(538,501)	(154,828)
Sales of marketable securities	92,786	36,831
Maturities and redemptions of marketable securities	293,625	112,554
Net cash (used in) provided by investing activities	(161,074)	11,995
Cash Flows from Financing Activities:		
Proceeds from initial public offering, net of underwriting discounts	—	1,069,348
Proceeds from issuance of common stock under employee stock purchase plan, net	7,011	—
Proceeds from exercise of stock options	98	43
Payment of withholding taxes on net share settlement of equity awards	(151,716)	—
Payment of deferred offering costs	(109)	(5,472)
Payment of acquisition-related liabilities	—	(900)
Net cash (used in) provided by financing activities	(144,716)	1,063,019
Net (decrease) increase in cash, cash equivalents and restricted cash	(315,482)	1,081,630
Cash, cash equivalents and restricted cash, beginning of period	747,864	98,331
Cash, cash equivalents and restricted cash, end of period	$ 432,382	$ 1,179,961
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:		
Cash and cash equivalents	$ 432,313	$ 1,179,958
Restricted cash included in prepaid expenses and other current assets	3	—
Restricted cash included in other assets	66	3
Total cash, cash equivalents and restricted cash	$ 432,382	$ 1,179,961
Supplemental cash flow information:		
Cash paid for taxes	$ 9,550	$ 6,981
Non-cash investing and financing activities:		
Operating lease right-of-use assets obtained in exchange for operating lease obligations	$ 8,968	$ —
Stock-based compensation capitalized as internal-use software	$ 1,275	$ 458
Deferred offering costs	$ —	$ 1,423
Accretion of redeemable convertible preferred stock	$ —	$ 2,646,662

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

FRESHWORKS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Description of business

Freshworks Inc. (Freshworks, or the Company) is a software development company that provides modern software-as-a-service (SaaS) products that are designed with the user in mind. The Company was incorporated in Delaware in 2010 and is headquartered in San Mateo, California.

In September 2021, the Company completed its initial public offering (IPO), in which it issued and sold 31,350,000 shares of its newly authorized Class A common stock at $36.00 per share. The Company received proceeds of approximately $1.1 billion from the IPO, net of underwriters' discounts and offering expenses.

Upon completion of the IPO, certain shares of Class B common stock then outstanding (excluding shares of Class B common stock issued upon conversion and reclassification of the redeemable convertible preferred stock described below) were automatically converted to Class A common stock on a one-to-one basis, unless an option to remain as Class B common stock was elected by the holder. In addition, all shares of redeemable convertible preferred stock then outstanding were converted into 153,937,730 shares of common stock on a one-to-one basis and then reclassified into Class B common stock.

Upon the Company's IPO, the liquidity event condition was met for all restricted stock units (RSUs). RSUs that had already met the service condition at that date were entitled to one share of Class B common stock for each vested RSU.

In September 2021, the Company also completed a 10-for-one forward stock split of the Company's authorized, issued and outstanding stock. All share and per share information included in the accompanying condensed consolidated financial statements and notes thereto have been adjusted on a retrospective basis to reflect the stock split.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, and all intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Consolidated Financial Statements

The accompanying condensed consolidated balance sheet as of September 30, 2022, the condensed consolidated statements of operations, of comprehensive loss, of cash flows, and of redeemable convertible preferred stock and stockholders' equity (deficit) for the three and nine months ended September 30, 2022 and 2021, and the related notes to such condensed consolidated financial statements are unaudited. These unaudited condensed consolidated financial statements are presented in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP. In management's opinion, the unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of September 30, 2022 and its results of operations and cash flows for the three and nine months ended September 30, 2022 and 2021. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on February 23, 2022.

Use of Estimates

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expense during the reporting periods. Significant items subject to such estimates and assumptions include, but are not limited to, the following:

- determination of standalone selling price (SSP) for each distinct performance obligation included in customer contracts with multiple performance obligations;
- allowance for doubtful accounts;
- expected benefit period of deferred contract acquisition costs;
- capitalization of internal-use software development costs;
- fair value of acquired intangible assets and goodwill;
- useful lives of long-lived assets;
- valuation of deferred tax assets;
- valuation of employee defined benefit plan;
- fair value of share-based awards, including performance-based awards; and
- incremental borrowing rate used for operating leases.

Risk and Uncertainties

The COVID-19 pandemic has already had an adverse effect on the global economy and the ultimate societal and economic impact thereof still remains uncertain. Additionally, inflationary pressures, significant volatility in the global markets and geopolitical conflicts have also led to further economic disruption. These macroeconomic uncertainties could adversely affect demand for the Company’s products and services, lead to longer sales cycles, reduce the value or duration of subscriptions, negatively impact collections of accounts receivable, reduce expected spending from new customers, cause some of the existing customers to go out of business, not expand or grow their businesses and affect contraction or attrition rates of the Company’s customers, all of which could adversely affect the Company’s business, results of operations, and financial condition. The Company is not aware of any specific event or circumstances related to the pandemic, or other events that would require it to update estimates or judgments or adjust the carrying value of its assets or liabilities. Actual results could differ from those estimates and any such differences may be material to the consolidated financial statements.

Concentrations of Risk

Financial instruments that potentially expose the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, marketable securities, and accounts receivable. The Company’s cash and cash equivalents and marketable securities are generally held with large financial institutions and are in excess of the federally insured limits provided on such deposits. In addition, the Company has cash and cash equivalents held in international bank accounts, which are denominated primarily in Euros, British Pounds, and Indian Rupees.

There were no customers that individually exceeded 10% of the Company’s revenue for the three and nine months ended September 30, 2022 and 2021 or that represented 10% or more of the Company’s consolidated accounts receivable balance as of September 30, 2022.

The Company primarily relies upon its third-party cloud infrastructure partner, Amazon Web Services, to serve customers and operate certain aspects of its services. Any disruption of this cloud infrastructure partner would impact the Company's operations and its business could be adversely impacted.

Significant Accounting Policies

The Company's significant accounting policies are described in the Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes to these policies that have had a material impact on the condensed consolidated financial statements and the related notes for the three and nine months ended September 30, 2022, with the exception of the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) as described below. See also *Recently Adopted Accounting Pronouncements* for more detail on the adoption.

Leases

The Company leases office space under operating leases with expiration dates through 2031. The Company determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use (ROU) assets on its condensed consolidated balance sheets at the lease commencement date. Lease liabilities are measured based on the present value of the total lease payments not yet paid, discounted based on either the rate implicit in the lease or the Company's incremental borrowing rate (the estimated rate the Company would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease), whichever is more readily determinable. Lease liabilities due within 12 months are included within accrued liabilities on the Company's condensed consolidated balance sheets. The incremental borrowing rate is based on an estimate of the Company's expected unsecured borrowing rate for its notes, adjusted for tenor and collateralized security features. ROU assets are measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the lease commencement date, (ii) initial direct costs incurred, and (iii) tenant incentives received, incurred or payable under the lease. Recognition of rent expense begins when the lessor makes the underlying asset available to the Company. The Company does not assume renewals or early terminations of its leases unless it is reasonably certain to exercise these options at commencement and does not allocate consideration between lease and non-lease components.

For short-term leases, the Company records rent expense in its condensed consolidated statements of operations on a straight-line basis over the lease term and records variable lease payments as incurred.

Recent Accounting Pronouncements

New accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) under its Accounting Standards Codification (ASC) or ASU and adopted by the Company as of the specified effective date.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on their balance sheets as ROU assets with corresponding lease liabilities and eliminates certain real estate-specific provisions. The Company adopted this standard effective January 1, 2022 on a modified retrospective basis, and as such, results in comparative periods were not restated. As a result of the adoption, the Company recognized operating ROU assets of $24.3 million and operating lease liabilities of $28.8 million in its condensed consolidated balance sheets on the adoption date. The Company has elected certain available practical expedients, which allow it to forego the reassessments of (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification of any expired or existing leases, and (iii) initial direct costs for any existing leases. The Company has also elected to combine lease and non-lease components for commercial lease arrangements. Additionally, the Company elected not to recognize operating ROU assets and the associated operating lease liabilities for leases with a term of 12 months or less from the lease commencement date.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets by requiring an allowance to be recorded as an offset to the amortized cost of such assets. The standard primarily impacts the amortized cost of the Company's available-for-sale debt securities. The Company adopted this standard on January 1, 2022 using the modified retrospective approach, which did not result in a material impact on its condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). The standard eliminates certain exceptions related to the approach for intraperiod tax allocation and the methodology for calculating income taxes in an interim period. The standard also simplifies aspects of accounting for franchise taxes and enacted changes in tax or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis for goodwill. The Company adopted this standard effective January 1, 2022, which did not result in a material impact on its condensed consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. ASU 2021-08 will become effective for the Company on January 1, 2023, to be applied prospectively to business combinations occurring on or after the effective date of the ASU, with early adoption permitted. The Company adopted this standard effective January 1, 2022, which did not result in a material impact on its condensed consolidated financial statements.

2. Revenue From Contracts with Customers

Revenue

The Company derives revenue from subscription fees and related professional services. The Company sells subscriptions for its cloud-based solutions directly to customers and indirectly through channel partners through arrangements that are non-cancelable and non-refundable. The Company’s subscription arrangements do not provide customers with the right to take possession of the software supporting the solutions and, as a result, are accounted for as service arrangements. The Company records revenue net of sales or value-added taxes.

Disaggregation of Revenue

The following table summarizes revenue by the Company’s service offerings (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Subscription services	$ 125,508	$ 94,312	$ 355,298	$ 257,827
Professional services	3,252	2,302	9,531	7,715
Total revenue	$ 128,760	$ 96,614	$ 364,829	$ 265,542

See Note 12 for revenue by geographic location.

Deferred Revenue and Remaining Performance Obligations

Deferred revenue consists of customer billings in advance of revenue being recognized from the Company's subscription and professional services arrangements.

Revenue recognized during the three months ended September 30, 2022 and 2021 from amounts included in deferred revenue at the beginning of these periods was $86.2 million and $61.6 million, respectively. Revenue recognized during the nine months ended September 30, 2022 and 2021 from amounts included in deferred revenue at the beginning of these periods was $146.9 million and $95.6 million, respectively.

The aggregate balance of remaining performance obligations as of September 30, 2022 was $277.4 million. The Company expects to recognize $218.7 million of the balance as revenue in the next 12 months and the remainder thereafter. The aggregate balance of remaining performance obligations represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods.

Deferred Contract Acquisition Costs

The change in the balance of deferred contract acquisition costs during the periods presented is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of the period	$ 33,592	$ 23,604	$ 29,647	$ 18,273
Add: Contract costs capitalized during the period	6,913	6,032	19,554	17,032
Less: Amortization of contract costs during the period	(4,625)	(3,416)	(13,321)	(9,085)
Balance at end of the period	$ 35,880	$ 26,220	$ 35,880	$ 26,220

3. Cash Equivalents and Marketable Securities

Cash equivalents and available-for-sale debt securities consisted of the following as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 266,193	$ —	$ —	$ 266,193
U.S. treasury securities	44,363	4	—	44,367
U.S. government agency securities	80,225	14	(1)	80,238
Corporate debt securities	4,889	—	—	4,889
Total cash equivalents	395,670	18	(1)	395,687
Debt securities:				
U.S. treasury securities	421,677	11	(4,434)	417,254
U.S. government agency securities	201,499	1	(3,277)	198,223
Corporate debt securities	103,358	—	(1,108)	102,250
Total debt securities	726,534	12	(8,819)	717,727
Total cash equivalents and debt securities	$ 1,122,204	$ 30	$ (8,820)	$ 1,113,414

	December 31, 2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 684,485	$ —	$ —	$ 684,485
U.S. treasury securities	22,000	—	—	22,000
U.S. government agency securities	4,286	—	(1)	4,285
Corporate debt securities	15,998	—	—	15,998
Total cash equivalents	726,769	—	(1)	726,768
Debt securities:				
U.S. treasury securities	442,715	2	(432)	442,285
U.S. government agency securities	75,725	—	(159)	75,566
Corporate debt securities	54,335	17	(175)	54,177
Total debt securities	572,775	19	(766)	572,028
Total cash equivalents and debt securities	$ 1,299,544	$ 19	$ (767)	$ 1,298,796

The following table presents gross unrealized losses and fair values for the securities that were in a continuous unrealized loss position as of September 30, 2022 (in thousands):

	September 30, 2022					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury securities	$ 361,963	$ (4,316)	$ 8,885	$ (118)	$ 370,848	$ (4,434)
U.S. government agency securities	196,721	(3,277)	—	—	196,721	(3,277)
Corporate debt securities	40,458	(847)	14,604	(261)	55,062	(1,108)
Total	$ 599,142	$ (8,440)	$ 23,489	$ (379)	$ 622,631	$ (8,819)

As of December 31, 2021, the securities in a continuous unrealized loss position for 12 months or longer were not material.

The amortized cost and fair value of the available-for-sale debt securities based on contractual maturities are as follows (in thousands):

	September 30, 2022	
	Amortized Cost	Fair Value
Due within one year	$ 542,730	$ 538,146
Due after one year but within five years	183,804	179,581
Total	$ 726,534	$ 717,727

Accrued interest receivable of $1.8 million was classified in prepaid expenses and other current assets in the condensed consolidated balance sheet of as September 30, 2022.

In addition to available-for-sale debt securities, marketable securities also include term bond mutual funds, which are measured at fair value. As of September 30, 2022 and December 31, 2021, the fair value of the term bond mutual funds was $1.5 million and $3.7 million, respectively.

The change in fair value of the term bond mutual funds is recorded in interest and other income, net in the condensed consolidated statements of operations. The realized and unrealized gains recognized in the condensed consolidated statements of operations for the term bond mutual funds were not material during the three and nine months ended September 30, 2022 and 2021.

Prior to September 2021, the Company had non-marketable equity investments in privately held entities which have no readily determinable fair values. These investments were recorded at cost, less impairment. In September 2021, the Company sold its interest in a privately held entity for proceeds totaling $24.0 million, resulting in a gain of $23.8 million, which was recorded in interest and other income, net, in the condensed consolidated statements of operations.

4. Fair Value Measurements

The Company measures its financial assets at fair value each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are observable and reflect quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3—Inputs that are unobservable.

Money market funds and U.S. treasury securities are classified within Level 1 because they are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Other debt securities and investments are classified within Level 2 if the investments are valued using model driven valuations which use observable inputs such as quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency. Available-for-sale debt securities are held by custodians who obtain investment prices from a third-party pricing provider that incorporates standard inputs in various asset price models.

The Company did not have any assets or liabilities subject to fair value remeasurement on a nonrecurring basis as of September 30, 2022 and December 31, 2021.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022		
	Fair Value Measured Using		
	Level 1	Level 2	Total
Financial assets:			
Cash equivalents:			
Money market funds	$ 266,193	$ —	$ 266,193
U.S. treasury securities	44,367	—	44,367
U.S. government agency securities	—	80,238	80,238
Corporate debt securities	—	4,889	4,889
Marketable securities:			
U.S. treasury securities	417,254	—	417,254
U.S. government agency securities	—	198,223	198,223
Corporate debt securities	—	102,250	102,250
Term bond mutual funds	—	1,491	1,491
Total financial assets	$ 727,814	$ 387,091	$ 1,114,905

	December 31, 2021		
	Fair Value Measured Using		
	Level 1	Level 2	Total
Financial assets:			
Cash equivalents:			
Money market funds	$ 684,485	$ —	$ 684,485
U.S. treasury securities	22,000	—	22,000
U.S. government agency securities	—	4,285	4,285
Corporate debt securities	—	15,998	15,998
Marketable securities:			
U.S. treasury securities	442,285	—	442,285
U.S. government agency securities	—	75,566	75,566
Corporate debt securities	—	54,177	54,177
Term bond mutual funds	—	3,651	3,651
Total financial assets	$ 1,148,770	$ 153,677	$ 1,302,447

5. Balance Sheet Components

Property and Equipment, net

The following table summarizes property and equipment, net as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Computers	$ 15,526	$ 13,041
Capitalized internal-use software	18,552	14,178
Office equipment	3,649	3,375
Furniture and fixtures	8,769	8,395
Motor vehicles	1,171	1,421
Leasehold improvements	5,195	4,274
Construction in progress	345	—
Total property and equipment	53,207	44,684
Less: accumulated depreciation and amortization	(29,826)	(23,206)
Property and equipment, net	$ 23,381	$ 21,478

Capitalization of costs associated with internal-use software were $1.2 million and $1.3 million for the three months ended September 30, 2022 and 2021, respectively; and $5.1 million and $3.5 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022 and December 31, 2021, the net carrying value of capitalized internal-use software was $10.4 million and $8.3 million, respectively.

Depreciation and amortization expense was $2.6 million and $2.3 million for the three months ended September 30, 2022 and 2021, respectively; and $7.3 million and $6.6 million for the nine months ended September 30, 2022 and 2021, respectively.

Accrued Liabilities

The following table summarizes accrued liabilities as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Accrued compensation	$ 17,540	$ 17,261
Accrued third-party cloud infrastructure expenses	2,844	2,785
Accrued reseller commissions	6,517	5,870
Accrued advertising and marketing expenses	6,877	6,022
Advanced payments from customers	3,359	3,260
Accrued taxes	5,879	10,777
Operating lease liabilities, current	5,334	—
Contributions withheld for employee stock purchase plan	3,960	4,211
Other accrued expenses	5,137	5,643
Total accrued liabilities	$ 57,447	$ 55,829

6. Intangible Assets, Net

Acquired intangible assets consist of developed technology and customer relationships and are amortized on a straight-line basis over their estimated useful lives. The following tables summarize acquired intangible assets as of September 30, 2022 and December 31, 2021:

	September 30, 2022			
	Gross Amount	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life
		(amounts in thousands)		(in years)
Developed technology	$ 10,496	$ (10,162)	$ 334	0.5
Customer relationships	1,600	(1,355)	245	0.7
Total	$ 12,096	$ (11,517)	$ 579	

	December 31, 2021			
	Gross Amount	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life
		(amounts in thousands)		(in years)
Developed technology	$ 10,496	$ (9,147)	$ 1,349	0.9
Customer relationships	1,600	(1,055)	545	1.4
Total	$ 12,096	$ (10,202)	$ 1,894	

Amortization of acquired intangible assets is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Developed technology:				
Cost of revenue	$ 175	$ 990	$ 1,015	$ 2,939
Customer relationships:				
Sales and marketing	101	101	300	299
Total amortization expense	$ 276	$ 1,091	$ 1,315	$ 3,238

As of September 30, 2022, expected future amortization expense related to acquired intangible assets is as follows (in thousands):

Year Ending December 31,	Amortization Expense
2022 (remaining three months)	276
2023	303
Total future amortization	$ 579

7. Leases

The Company has operating leases primarily for office space. The leases have remaining lease terms of one to nine years, some of which include options to extend the lease for up to six years.

The following table presents various components of the lease costs (in thousands):

Operating Leases	Three months ended September 30, 2022	Nine months ended September 30, 2022
Operating lease cost	$ 2,147	$ 6,026
Short-term lease cost	250	907
Variable lease cost	660	2,098

Rent expense for operating leases recognized prior to our adoption of Topic 842 for the three and nine months ended September 30, 2021 was $2.4 million and $7.3 million, respectively.

The weighted-average remaining term of the Company's operating leases and the weighted-average discount rate used to measure the present value of the operating lease liabilities are as follows:

Lease Term and Discount Rate	**September 30, 2022**
Weighted-average remaining lease term (in years)	5.0
Weighted-average discount rate	7.3 %

The following table presents supplemental information arising from lease transactions. Cash payments related to short-term leases are not included in the measurement of the operating lease liabilities, and as such, are excluded from the amounts below (in thousands):

Supplemental Cash Flow Information:	**Three months ended September 30, 2022**	**Nine months ended September 30, 2022**
Cash payments included in the measurement of operating lease liabilities	$ 3,126	$ 7,400
Operating ROU assets obtained in exchange for lease obligations	1,749	8,968

As of September 30, 2022, maturities of the operating lease liabilities are as follows (in thousands):

Year Ending December 31:	**Operating Leases**
2022 (remaining three months)	$ 809
2023	8,799
2024	7,914
2025	6,975
2026	4,672
Thereafter	8,082
Total lease payments	37,251
Less: imputed interest	(7,287)
Present value of operating lease liabilities	$ 29,964

As of September 30, 2022, there were no future payments related to signed leases that have not yet commenced.

Future minimum lease payments under non-cancelable operating leases of December 31, 2021 were as follows (in thousands):

Year Ending December 31:	**Operating Leases**
2022	$ 6,954
2023	6,790
2024	6,642
2025	5,976
2026	3,579
Thereafter	4,304
Total minimum future payments	$ 34,245

8. Commitments and Contingencies

Other Contractual Commitments

The Company's other contractual commitments primarily consist of third-party cloud infrastructure agreements and service subscription purchase arrangements used to support operations at the enterprise level. As of September 30, 2022, other contractual commitments totaling $113.1 million remain outstanding under these agreements though 2025.

Litigation and Loss Contingencies

From time to time, the Company may be subject to other legal proceedings, claims, investigations, and government inquiries (collectively, Legal Proceedings) in the ordinary course of business. It may receive claims from third parties asserting, among other things, infringement of their intellectual property rights, defamation, labor and employment rights, privacy, and contractual rights. There are no currently pending legal proceedings that the Company believes will have a material adverse impact on the business or condensed consolidated financial statements.

Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which the Company agrees to provide indemnification of varying scope and terms to customers, business partners, and other parties with respect to certain matters, including losses arising out of intellectual property infringement claims made by third parties, if the Company has violated applicable laws, if the Company is negligent or commits acts of willful misconduct, and other liabilities with respect to its products and services and its business. In these circumstances, payment is typically conditional on the other party making a claim pursuant to the procedures specified in the particular contract. The Company also indemnifies certain of its officers, directors and certain key employees while they are serving in good faith in their respective capacities. To date, the Company has not incurred any material costs as a result of such indemnifications and has not accrued any liabilities related to such obligations in its condensed consolidated financial statements.

9. Stockholders' Equity and Stock-Based Compensation

Equity Compensation Plans

In August 2021, the board of directors (the Board) adopted the 2021 Equity Incentive Plan (the 2021 Plan) and the 2021 Employee Stock Purchase Plan (ESPP), effective upon the Company's initial public offering (IPO). Pursuant to the 2021 Plan, the Board may grant incentive stock options to purchase shares of the Company's common stock, non-statutory stock options to purchase shares of the Company's common stock, stock appreciation rights, restricted stock, RSUs, performance awards (PRSUs) and other awards. The ESPP enables eligible employees to purchase the Company's Class A common stock. Both the 2021 Plan and ESPP include an automatic increase to their shares reserve on January 1 of each year as set forth in the respective plan documents.

In August 2022, the Board adopted the 2022 Inducement Plan (the Inducement Plan) in accordance with Listing Rule 5635(c)(4) of the Nasdaq Stock Market. Under the Inducement Plan, nonstatutory stock options, stock appreciation rights, restricted stock, RSUs, PRSUs and other awards may be granted as an inducement material for eligible persons to enter into employment with the Company. Upon adoption, the Company has initially reserved 10,000,000 shares of Class A common stock for issuance under the Inducement Plan.

In September 2022, the Company hired a President, and granted him 1,732,501 RSUs under the Inducement Plan and stock options to purchase up to 1,815,980 shares of Class A common stock, of which stock options to purchase up to 1,776,780 shares of Class A common stock were granted under the Inducement Plan and the remaining under the 2021 Plan. Each award will vest over four years with 25% of the shares vesting on the first anniversary of the grant date and the remaining 75% of the shares vesting in equal quarterly installments thereafter, subject to continued employment.

Shares of common stock reserved for future issuance were as follows (in thousands):

	September 30, 2022
2011 Stock Plan:	
Options and RSUs outstanding	25,057
2021 Equity Incentive Plan:	
Options, RSUs and PRSUs outstanding	9,986
Shares reserved for future award issuances	50,477
2022 Inducement Plan:	
Options and RSUs outstanding	3,509
Shares reserved for future award issuances	6,491
2021 Employee Stock Purchase Plan	8,698
Total shares of common stock reserved for issuance	104,218

2021 Employee Stock Purchase Plan

Under the ESPP, the price at which common stock is purchased is equal to 85% of the fair market value of a share of the Company's common stock on the first day of the offering period or the applicable purchase date, whichever is lower. The fair market value of common stock will generally be the closing sales price on the determination date. The ESPP provides an offering period of 24 months, with four purchase periods that are generally six months long and end on May 15 and November 15 of each year, except for the first purchase period, which began upon the completion of the IPO in September 2021 and ended on May 13, 2022. The Company issued 510,093 shares under the ESPP in the nine months ended September 30, 2022, net of shares withheld and retired to satisfy withholding tax requirements for certain employees in jurisdictions outside the US, with a weighted average purchase price of $13.76 and aggregate net proceeds of $7.0 million.

The ESPP also includes a reset provision for the purchase price if the fair market value of a share of the Company's common stock on the first day of any purchase period is less than or equal to the fair market value of a share of the Company's common stock on the first day of an ongoing offering. The reset provision under the ESPP was triggered on May 16, 2022, resulting in a new 24-month offering period that began on May 16, 2022. The reset is considered a modification in accordance with ASC 718, *Stock Based Compensation*, with the modification charge recognized on a straight-line basis over the new offering period. The modification did not have a material effect on the Company's stock-based compensation expense during the nine months ended September 30, 2022.

During the three and nine months ended September 30, 2022, the Company recognized $2.2 million and $9.4 million of stock-based compensation expense related to the ESPP, respectively.

Determination of Fair Value of the ESPP

The Company estimates the fair value of the ESPP using the Black-Scholes option-pricing model, which requires certain complex valuation assumption inputs such as expected term, expected stock price volatility, risk-free interest rate, and dividend yield. The fair value of each of the four purchase periods is estimated separately. The following table summarizes the range of valuation assumptions used in estimating the fair value of the ESPP during the period:

Valuation Assumption Inputs	Nine Months Ended September 30, 2022
Expected term (in years)	0.5 - 2.0
Stock price volatility	55.8% - 84.5%
Risk-free interest rate	1.54% - 2.58%
Dividend yield	—%

Expected term—The expected term is estimated based on the exercise term of the ESPP, which is the length of time from the grant date to the date on which the stock is purchased by the employees.

Stock price volatility—Since the Company's common stock lacks sufficient trading history, the stock price volatility over the expected term ranging from one to two years is estimated based on the average historical volatility of comparable companies with similar characteristics to those of the Company. For the stock price volatility over the expected term of six months, the Company estimates the stock price volatility using the combination of the average historical volatility of its own common stock and those of comparable companies with similar characteristics to it.

Risk-free interest rate—The risk-free interest rate is based on the yield of the U.S. Treasury debt securities commensurate with the expected term of the ESPP.

Dividend yield—Since the Company has never paid and has no intention to pay cash dividends on its common stock, the dividend yield is zero.

Fair value of underlying stock—The fair value of the Company's common stock underlying the ESPP is determined by the closing market price of its Class A common stock on the grant date, which was May 16, 2022.

Stock Options

Stock options are generally granted with an exercise price equal to the stock's fair market value at the date of grant, have 10-year contractual terms, and vest over a four-year period.

Share Information:	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value [1]
Balance as of December 31, 2021	1,348	$ 0.27	3.6	$ 35,020
Stock options granted	1,816	$ 13.61		
Stock options exercised	(383)	$ 0.27		
Stock options cancelled / forfeited / expired	—	$ —		
Balance as of September 30, 2022	2,781	$ 8.98	7.5	$ 12,260
Options vested and expected to vest as of September 30, 2022	2,781	$ 8.98	7.5	$ 12,260
Options exercisable as of September 30, 2022	965	$ 0.27	2.9	$ 12,260

(1) Aggregate intrinsic value for stock options represents the difference between the exercise price and the per share fair value of the Company's common stock as of the end of the period, multiplied by the number of stock options outstanding, exercisable, or vested.

The weighted-average grant date fair value of stock options granted was $8.26 per share during the three and nine months ended September 30, 2022.

Determination of Fair Value of Stock Options

The Company estimates the fair value of stock options using the Black-Scholes option-pricing model, which requires certain complex valuation assumption inputs such as expected term, expected stock price volatility, risk-free interest rate, and dividend yield. The following table summarizes the range of valuation assumptions used in estimating the fair value of stock options during the period:

Valuation Assumption Inputs	Nine Months Ended September 30, 2022
Expected term (in years)	6.1
Stock price volatility	65.0%
Risk-free interest rate	3.37%
Dividend yield	—%

Expected term—The expected term represents the period of time the stock options are expected to be outstanding, calculated using the simplified method which represents the average of the contractual term of the option and the weighted-average vesting period of the option. The Company considers this appropriate as there is not sufficient historical information available to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Stock price volatility—Since the Company's common stock lacks sufficient trading history, the stock price volatility over the expected term is estimated based on the average historical volatility of comparable companies with similar characteristics to those of the Company.

Risk-free interest rate—The risk-free interest rate is based on the yield of the U.S. Treasury debt securities commensurate with the expected term.

Dividend yield—Since the Company has never paid and has no intention to pay cash dividends on its common stock, the dividend yield is zero.

Fair value of underlying stock—The fair value of Company's common stock is determined by the closing market price of its Class A common stock on the grant date.

Restricted Stock Units

RSUs are granted at fair market value at the date of the grant and vest over a four-year period.

RSU activity, which includes PRSUs, during the nine months ended September 30, 2022 is as follows:

Share Information:	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
	(in thousands, except per share data)	
Unvested, as of December 31, 2021	47,830	$ 14.47
Granted	12,048	$ 17.19
Vested	(21,568)	$ 8.88
Forfeited	(2,539)	$ 16.54
Unvested, as of September 30, 2022	35,771	$ 18.60

During the three and nine months ended September 30, 2022, total shares that vested were 2.6 million and 21.6 million, of which 1.0 million shares and 8.6 million shares were withheld for tax withholding requirements, respectively. On February 14, 2022, the final lock-up period following the IPO expired, and the Company issued an aggregate of 9.3 million shares of its common stock, net of shares withheld for taxes, as settlement of all RSUs that had met the time-based service condition. Total cash paid related to the withholding taxes on net share settlement of equity awards amounted to $13.4 million and $151.7 million during the three and nine months ended September 30, 2022, respectively.

Performance-Based Awards

In May 2019, the Board approved a grant of 166,390 shares of PRSUs to the Company's CEO. The vesting of these PRSUs is contingent upon the satisfaction of certain milestones. The revenue-related milestone and the liquidity event condition were met prior to December 31, 2021. As of September 30, 2022, the time-based vesting was the only condition yet to be satisfied over the remaining requisite service period, and the number of shares to vest subject to this condition is insignificant.

In September 2021, the Board approved a grant of 6,000,000 PRSUs to the Company's CEO with a time-based service condition beginning January 1, 2022, and a market condition involving five separate stock price targets ranging from $70.00 to $200.00 per share for each of the five vesting tranches (CEO Performance Award). These stock price targets will be measured based on the average closing price over a consecutive 60-trading day period, beginning on the first trading day after the expiration of the final lock-up period in February 2022. The vesting of the CEO Performance Award is contingent upon the completion of the requisite service through January 1, 2029 and the achievement of the specified stock price target in each tranche on or before January 1, 2029. The stock price targets are not required to be achieved within the service period of each tranche, and accordingly, multiple tranches can vest at the same date if the specified stock price targets are achieved after December 31, 2025. The CEO Performance Award had a total grant date fair value of $131.0 million. The fair value of the CEO Performance Award was determined at grant date by using the Monte Carlo simulation model, which requires certain complex valuation assumption inputs such as measurement period, expected stock price volatility, risk-free interest rate and dividend yield.

The Company recognized stock-based compensation expense associated with PRSUs granted to the CEO of $7.1 million and $1.4 million for the three months ended September 30, 2022 and 2021, respectively; and $21.0 million and $1.4 million for the nine months ended September 30, 2022 and 2021, respectively. These expenses were recorded in general and administrative expenses in the condensed consolidated statements of operations.

Stock-Based Compensation

Total stock-based compensation expense recorded for the three and nine months ended September 30, 2022 and 2021 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 1,772	$ 3,983	$ 5,212	$ 3,983
Research and development	10,318	36,823	26,446	36,823
Sales and marketing	16,635	40,465	44,204	40,465
General and administrative (1)	25,167	42,988	74,790	42,988
Stock-based compensation, net of amounts capitalized	53,892	124,259	150,652	124,259
Capitalized stock-based compensation	52	458	1,275	458
Total stock-based compensation expense	$ 53,944	$ 124,717	$ 151,927	$ 124,717

(1) General and administrative expense includes $14.1 million and $10.4 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to the CEO in September 2021 for the three months ended September 30, 2022 and 2021, respectively; and $41.8 million and $10.4 million for the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, unrecognized stock-based compensation expense related to unvested stock-based awards was as follows (in thousands, except for period data):

	September 30, 2022	
	Unrecognized Stock-Based Compensation	Weighted-Average Period to Recognize Expense (in years)
RSUs and PRSUs	$ 596,666	3.1
Stock options	14,702	3.9
ESPP	11,862	1.0
Total unrecognized stock-based compensation expense	$ 623,230	

10. Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing the net loss by the number of weighted-average outstanding common shares. Diluted net loss per share attributable to common stockholders is determined by giving effect to all potential common equivalents during the reporting period, unless including them yields an antidilutive result. The Company considers its redeemable convertible preferred stock, stock options and restricted stock units as potential common stock equivalents, but excluded them from the computation of diluted net loss per share attributable to common stockholders for the three and nine months ended September 30, 2022 and 2021, as their effect was antidilutive.

The rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, except with respect to voting, conversion, and transfer rights. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis to each class of common stock and the resulting basic and diluted net loss per share attributable to common stockholders, are the same for both Class A and Class B common stock on both an individual and combined basis.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	$ (57,843)	$ (107,415)	$ (176,655)	$ (117,259)
Accretion of redeemable convertible preferred stock	—	(2,264,838)	—	(2,646,662)
Net loss attributable to Class A and Class B common stockholders - basic and diluted	$ (57,843)	$ (2,372,253)	$ (176,655)	$ (2,763,921)
Denominator:				
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders - basic and diluted	286,697	95,930	283,258	83,860
Net loss per share attributable to Class A and Class B common stockholders - basic and diluted	$ (0.20)	$ (24.72)	$ (0.62)	$ (32.96)

The following table summarizes the potential common equivalents that were excluded from the computation of diluted net loss per share attributable to Class A and Class B common stockholders for the periods presented (in thousands):

	Three and Nine Months Ended September 30,	
	2022	2021
RSUs and PRSUs	35,771	58,636
Stock options	2,781	1,682
ESPP	359	—
Total	38,911	60,318

11. Income Taxes

The Company's quarterly tax provision and estimates of its annual effective tax rate are estimates due to several factors, including changes in pre-tax income (or loss), the mix of jurisdictions to which such income relates, discrete items (such as excess tax benefits from stock-based compensation) in the period offset with our valuation allowance. The provision for (benefit from) income taxes was $1.8 million and $(9.9) million for the three months ended September 30, 2022 and 2021, respectively; and $6.5 million and $(7.7) million for the nine months ended September 30, 2022 and 2021, respectively. The increase in the provision for income taxes in the three and nine months ended September 30, 2022 resulted primarily from a tax benefit of $11.7 million mostly from stock-based compensation expense recorded during the three and nine months ended September 30, 2021, in jurisdictions where we expect to realize a tax benefit. Additionally, the increase in the provision for income taxes is also attributable to higher tax expense from profitable foreign jurisdictions.

12. Geographic Information

The following table summarizes revenue by geographic location (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
North America	$ 56,288	$ 41,961	$ 157,178	$ 113,668
Europe, Middle East and Africa	49,786	39,566	143,169	110,695
Asia Pacific	19,296	12,955	55,015	35,382
Other	3,390	2,132	9,467	5,797
Total revenue	$ 128,760	$ 96,614	$ 364,829	$ 265,542

The following table summarizes long-lived assets by geographic information (in thousands):

	September 30, 2022	December 31, 2021
North America	$ 21,364	$ 13,780
Europe, Middle East and Africa	4,358	578
Asia Pacific	26,480	9,015
Total long-lived assets	$ 52,202	$ 23,373

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2021 included in the Annual Report on Form 10-K. As described in the section titled "Special Note About Forward-Looking Statements," the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in the section titled "Risk Factors."

Overview

Our mission is to make it fast and easy for businesses to delight their customers and employees.

We provide businesses of all sizes with modern SaaS products that are designed with the end-user in mind. Our primary product offerings include Freshdesk, our customer experience (CX) product; Freshservice, our IT service management (ITSM) product; and our customer relationship management (CRM) solutions, which include Freshsales and Freshmarketer for sales and marketing automation.

We generate revenue primarily from the sale of subscriptions for accessing our cloud-based software products over the contract term. Our subscription arrangements are available in monthly, quarterly, semi-annual, and annual plans, and we typically invoice for the full term in advance. We also sell professional services that include product configuration, data migration, systems integration, and training. Professional services revenue is recognized as services are performed.

Our customer base and operations have scaled over time. Our revenue was $128.8 million and $96.6 million in the three months ended September 30, 2022 and 2021, respectively; and $364.8 million and $265.5 million in the nine months ended September 30, 2022 and 2021, respectively; representing year-over-year growth rate of 33% and 37%, respectively. We incurred operating losses of $58.3 million and $140.3 million for three months ended September 30, 2022 and 2021, respectively; and $172.8 million and $148.4 million for the nine months ended September 30, 2022 and 2021, respectively.

In September 2021, we completed our initial public offering (IPO), in which we issued and sold 31,350,000 newly authorized shares of Class A common stock at $36.00 per share. We received net proceeds of approximately $1.1 billion from the IPO, net of underwriters' discounts.

Upon completion of the IPO, certain shares of Class B common stock then outstanding (excluding shares of Class B common stock issued upon conversion and reclassification of the redeemable convertible preferred stock described below) were automatically converted to Class A common stock on a one-to-one basis, unless an option to remain as Class B common stock was elected by the holder. In addition, all shares of redeemable convertible preferred stock then outstanding were converted into 153,937,730 shares of common stock on a one-to-one basis and then reclassified into Class B common stock.

Macroeconomic and Other Factors

The COVID-19 pandemic has already had an adverse effect on the global economy and its ultimate societal and economic impact still remains uncertain. We continue to operate in a combination of in-office and work-from-home environments. Additionally, inflation, significant volatility of global markets and geopolitical conflicts have also led to further economic disruption and,given the global scope of our business and the heightened volatility of global markets, expose us more to the risk of fluctuations in foreign currency markets.

Recently the United States Dollar has strengthened significantly against certain foreign currencies in the markets in which we operate, particularly against the Euro and British Pound Sterling. We have approximately 26% of revenue exposure related to the Euro and British Pound Sterling. Based on the current fluctuations in foreign currency markets, we expect lower revenue growth compared to past results. If these conditions persist, they could have a material adverse impact on our results and our ability to accurately predict our future results and earnings.

Given our subscription-based business model, the effects of the macroeconomic conditions may not be fully reflected in our revenue until future periods. The ultimate impact on our business and operations remains highly uncertain, and it is not possible for us to predict the duration and extent to which this will affect our business, productivity of our employees, future results of operations, and financial condition. See the section titled “Risk Factors” for further discussion of the challenges and risks we have encountered and could encounter related to these macroeconomic events and the pandemic.

Key Business Metrics

We monitor and review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions. Key business metrics and our financial performance are impacted by various factors discussed below, including fluctuations in the value of foreign currencies relative to the U.S. dollar. We believe these key business metrics provide meaningful supplemental information for management and investors in assessing our operating performance.

	September 30,		
	2022	**2021**	**% Growth**
Number of customers contributing more than $5,000 in annual recurring revenue	16,713	14,079	19 %
Net dollar retention rate	107 %	117 %	

Number of Customers Contributing More Than $5,000 in ARR

We define our total customers contributing more than $5,000 in annual recurring revenue (ARR) as of a particular date as the number of business entities or individuals, represented by a unique domain or a unique email address, with one or more paid subscriptions to one or more of our products that contributed more than $5,000 in ARR. We believe that the number of customers that contribute more than $5,000 in ARR is an indicator of our success in attracting, retaining, and expanding with larger businesses.

Net Dollar Retention Rate

Our net dollar retention rate measures our ability to increase revenue across our existing customer base through expansion of users and products associated with a customer as offset by our churn and contraction in the number of users and products associated with a customer. To calculate net dollar retention rate as of a particular date, we first determine "Entering ARR," which is ARR from the population of our customers as of 12 months prior to the end of the reporting period. We then calculate the "Ending ARR" from the same set of customers as of the end of the reporting period. We then divide the Ending ARR by the Entering ARR to arrive at our net dollar retention rate. Ending ARR includes upsells, cross-sells, and renewals during the measurement period and is net of any contraction or attrition over this period.

We expect our net dollar retention rate could fluctuate in future periods due to a number of factors, including our expected growth, the level of penetration within our customer base, our ability to upsell and cross-sell products to existing customers, and our ability to retain our customers.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. generally accepted accounting principles (GAAP), we believe the following non-GAAP financial measures are useful in evaluating our operating performance: non-GAAP loss from operations, non-GAAP net loss, and free cash flow. We use these non-GAAP financial measures to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe these non-GAAP financial measures may be helpful to investors because they provide consistency and comparability with past financial performance.

Non-GAAP financial measures have limitations in their usefulness to investors and should not be considered in isolation or as substitutes for financial information presented under GAAP. Non-GAAP financial measures have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, other companies, including companies in our industry, may calculate similarly titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. As a result, our non-GAAP financial measures are presented for supplemental informational purposes only.

We exclude the following items from one or more of our non-GAAP financial measures, including the related income tax effect of these adjustments:

- *Stock-based compensation expense.* We exclude stock-based compensation, which is a non cash expense, from certain of our non-GAAP financial measures because we believe that excluding this expense provides meaningful supplemental information regarding operational performance. In particular, stock-based compensation expense is not comparable across companies given the variety of valuation methodologies and assumptions.

- *Employer payroll taxes on employee stock transactions.* We exclude the amount of employer payroll taxes on equity awards from certain of our non-GAAP financial measures because they are dependent on our stock price at the time of vesting or exercise and other factors that are beyond our control and do not believe these expenses have a direct correlation to the operation of the business.

- *Amortization of acquired intangibles.* We exclude amortization of acquired intangibles, which is a non-cash expense, from certain of our non-GAAP financial measures. Our expenses for amortization of acquired intangibles are inconsistent in amount and frequency because they are significantly affected by the timing, size of acquisitions, and the allocation of purchase price. We exclude these amortization expenses because we do not believe these expenses have a direct correlation to the operation of our business.

- *Gain on sale of non-marketable equity investments.* We exclude gains on sale of non-marketable equity investments from certain of our non-GAAP financial measures because we believe they are unrelated to our ongoing operating performance and are not expected to recur in our continuing operating results.

Non-GAAP Loss From Operations and Non-GAAP Net Loss

We define non-GAAP loss from operations as GAAP loss from operations, excluding stock-based compensation expense, employer payroll taxes on employee stock transactions, and amortization of acquired intangibles.

We define non-GAAP net loss as GAAP net loss, excluding stock-based compensation expense, employer payroll taxes on employee stock transactions, amortization of acquired intangibles and gain on sale of non-marketable equity investments, net of their related tax effects.

The following tables present a reconciliation of our GAAP loss from operations to our non-GAAP loss from operations and our GAAP net loss to our non-GAAP net loss for each of the periods presented (in thousands):

Non-GAAP Loss from Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Loss from operations	$ (58,288)	$ (140,253)	$ (172,764)	$ (148,407)
Non-GAAP adjustments:				
Stock-based compensation expense	53,892	124,259	150,652	124,259
Employer payroll taxes on employee stock transactions	994	13,379	1,309	13,379
Amortization of acquired intangibles	276	1,091	1,315	3,238
Non-GAAP loss from operations	$ (3,126)	$ (1,524)	$ (19,488)	$ (7,531)

Non-GAAP Net Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (57,843)	$ (107,415)	$ (176,655)	$ (117,259)
Non-GAAP adjustments:				
Stock-based compensation expense	53,892	124,259	150,652	124,259
Employer payroll taxes on employee stock transactions	994	13,379	1,309	13,379
Amortization of acquired intangibles	276	1,091	1,315	3,238
Gain on sale of non-marketable equity investments	—	(23,830)	—	(23,830)
Income tax adjustments	565	(11,555)	1,528	(11,555)
Non-GAAP net loss	$ (2,116)	$ (4,071)	$ (21,851)	$ (11,768)

Free Cash Flow

We define free cash flow as net cash provided by operating activities, less purchases of property and equipment and capitalized internal-use software costs. We believe that free cash flow is a useful indicator of liquidity as it measures our ability to generate cash from our core operations after purchases of property and equipment. Free cash flow is a measure to determine, among other things, cash available for strategic initiatives, including further investments in our business and potential acquisitions of businesses.

The following table presents a reconciliation of free cash flow to net cash provided by operating activities, the most directly comparable measure calculated in accordance with GAAP for each of the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash (used in) provided by operating activities	$ (4,223)	$ (2,046)	$ (9,692)	$ 6,616
Less:				
Purchases of property and equipment	(1,907)	(1,270)	(5,288)	(4,056)
Capitalized internal-use software	(1,106)	(873)	(3,828)	(3,050)
Free cash flow	$ (7,236)	$ (4,189)	$ (18,808)	$ (490)
Net cash (used in) provided by investing activities	$ (140,210)	$ 10,682	$ (161,074)	$ 11,995
Net cash (used in) provided by financing activities	$ (13,365)	$ 1,065,393	$ (144,716)	$ 1,063,019

Components of Our Results of Operations

Revenue

Substantially all of our revenue is derived from subscriptions, which is comprised of fees paid by customers for accessing our cloud-based software products during the term of the subscription. Subscription revenue is recognized ratably over the contract term beginning on the commencement date of each subscription, which is the date that the cloud-based software is made available to customers.

Professional services revenue comprises less than 5% of total revenue and includes fees charged for product configuration, data migration, systems integration, and training. Professional services revenue is recognized as services are performed.

Our subscription arrangements are available in monthly, quarterly, semi-annual, and annual plans, and we typically invoice for the full term in advance. Our payment terms generally require the customers to pay the invoiced amount in advance or within 30 days from the invoice date. Our professional services are generally billed in advance along with the related subscription arrangements.

Cost of Revenue

Cost of revenue consists primarily of personnel-related expenses (including salaries, related benefits, and stock-based compensation expense) for employees associated with our cloud-based infrastructure, payment gateway fees, voice, product support, and professional services organizations, as well as costs for hosting capabilities. Cost of revenue also includes third-party license fees, amortization of acquired technology intangibles, amortization of capitalized internal-use software, and allocation of general overhead costs such as facilities and information technology.

We expect our cost of revenue to continue to increase in dollar amount as we invest additional resources in our cloud-based infrastructure and customer support and professional services organizations. However, our gross profit and gross margin may fluctuate from period to period due to the timing and extent of our investments in third-party hosting capacity, expansion of our cloud-based infrastructure, and customer support, and professional services organizations, as well as the amortization of costs associated with capitalized internal-use software.

Overhead Allocation

We allocate shared costs, such as facilities costs (including rent, utilities, and depreciation on capital expenditures related to facilities shared by multiple departments), information technology costs, and certain administrative personnel costs to all departments based on headcount and location. Allocated shared costs are reflected in each of the expense categories described below, in addition to cost of revenue as described above.

Operating Expenses

Research and Development. Research and development expense consists primarily of personnel-related costs, including salaries, related benefits, and stock-based compensation expense for engineering and product development employees, software license fees, rental of office premises, third-party product development services and consulting expenses, and depreciation expense for equipment used in research and development activities. We capitalize a portion of our research and development expenses that meet the criteria for capitalization of internal-use software. All other research and development costs are expensed as incurred.

We believe that continued investment in our products is important for our growth, and as such, we expect that our research and development expenses will continue to increase in dollar amount while varying as a percentage of revenue in the future.

Sales and Marketing. Sales and marketing expense consists primarily of personnel-related costs, including salaries, related benefits, and stock-based compensation expense for our sales personnel, sales commissions for our sales force and reseller commissions for our channel sales partners, as well as costs associated with marketing activities, travel and entertainment costs, software license fees, and rental of office premises. Sales commissions that are considered incremental costs incurred to obtain contracts with customers are deferred and amortized over the expected benefit period of three years. Marketing activities include online lead generation, advertising, and promotional events.

We expect to continue to make significant investments as we expand our customer acquisition and retention efforts and return to in-person marketing events and normal business travel as the impact of COVID-19 subsides. As a result, we expect that our sales and marketing expenses will continue to increase in dollar amount while varying as a percentage of revenue in the future.

General and Administrative. General and administrative expense consists primarily of personnel-related costs, including salaries, related benefits, and stock-based compensation expense for certain executives and other general and administrative personnel, third-party professional services fees; including consulting, legal, audit, and accounting services, travel and entertainment costs, accounting, legal, human resources, and recruiting personnel, costs of director and officer insurance, costs associated with acquisitions of businesses, software license fees, and rental of office premises.

As a publicly traded company, we expect increases in expenses associated with ongoing compliance and reporting obligations pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC), professional services fees and consulting expenses, costs to broaden our IT related infrastructure, as well as additional costs for accounting, insurance, and investor relations. Our general and administrative expenses are expected to continue to increase in dollar amount for the foreseeable future, however, we expect it to decline as a percentage of revenue over the longer term. This percentage may fluctuate from period to period depending upon the timing and amount of our general and administrative expenses.

Interest and Other (Expense) Income, Net

Interest and other (expense) income, net primarily consists of interest income from our investment portfolios, amortization of premium or discount on marketable securities, and foreign currency gains and losses.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists primarily of income taxes related to U.S. states and foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our U.S. federal and state net deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized. Our effective tax rate is affected by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses, such as stock-based compensation, and changes in our valuation allowance.

Results of Operations

The following table sets forth our consolidated statements of operations data for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	$ 128,760	$ 96,614	$ 364,829	$ 265,542
Cost of revenue(1)	24,179	22,236	70,616	57,632
Gross profit	104,581	74,378	294,213	207,910
Operating expenses:				
Research and development(1)	35,871	57,087	100,885	91,377
Sales and marketing(1)	86,865	96,785	248,369	188,155
General and administrative(1)	40,133	60,759	117,723	76,785
Total operating expenses	162,869	214,631	466,977	356,317
Loss from operations	(58,288)	(140,253)	(172,764)	(148,407)
Interest and other income, net	2,249	22,923	2,609	23,428
Loss before income taxes	(56,039)	(117,330)	(170,155)	(124,979)
Provision for (benefit from) income taxes	1,804	(9,915)	6,500	(7,720)
Net loss	$ (57,843)	$ (107,415)	$ (176,655)	$ (117,259)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 1,772	$ 3,983	$ 5,212	$ 3,983
Research and development	10,318	36,823	26,446	36,823
Sales and marketing	16,635	40,465	44,204	40,465
General and administrative(2)	25,167	42,988	74,790	42,988
Total stock-based compensation expense	$ 53,892	$ 124,259	$ 150,652	$ 124,259

(2) General and administrative expense includes $14.1 million and $10.4 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to the CEO in September 2021 for three months ended September 30, 2022 and 2021, respectively; and $41.8 million and $10.4 million for the nine months ended September 30, 2022 and 2021, respectively.

The following table sets forth our condensed consolidated statements of operations data for the periods presented, as a percentage of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	19	23	19	22
Gross profit	81	77	81	78
Operating expense:				
Research and development	28	59	28	34
Sales and marketing	67	100	68	71
General administrative	31	63	32	29
Total operating expenses	126	222	128	134
Loss from operations	(45)	(145)	(47)	(56)
Interest and other income, net	2	24	1	9
Loss before income taxes	(43)	(121)	(46)	(47)
Provision for (benefit from) income taxes	1	(10)	2	(3)
Net loss	(44)%	(111)%	(48)%	(44)%

Comparison of the Three Months Ended September 30, 2022 and 2021

Revenue

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Subscription services	$ 125,508	$ 94,312	$ 31,196	33 %
Professional services	3,252	2,302	950	41 %
Total revenue	$ 128,760	$ 96,614	$ 32,146	33 %

Revenue increased by $32.1 million, or 33%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This was primarily driven by increases in additional agents enabled by our customers under their account and sales of products to existing customers, as well as the addition of new customers. Our net dollar retention rate of 107% as of September 30, 2022 reflects the expansion within existing customers and the sale of additional products to these customers. The majority of our revenue continues to be generated from subscription services.

Cost of Revenue and Gross Margin

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Cost of revenue	$ 24,179	$ 22,236	$ 1,943	9 %
Gross Margin	81.2 %	77.0 %		

Cost of revenue increased by $1.9 million, or 9%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This was primarily due to increases of $2.1 million in third-party hosting costs, $1.0 million in personnel-related costs due to annual compensation adjustments and higher headcount, and $0.7 million in software license fees, partially offset by a decrease of $2.2 million in stock-based compensation expense, and $0.8 million in amortization of developed technology. Our gross margin increased to 81% for the three months ended September 30, 2022 from 77% in the same period of the prior year, as we increased our revenue and continue to realize benefits from economies of scale primarily related to our third-party hosting costs.

Operating Expenses

	Three Months Ended September 30,				Change			
	2022		2021		$		%	
	(dollars in thousands)							
Research and development	$	35,871	$	57,087	$	(21,216)		(37)%
Sales and marketing		86,865		96,785		(9,920)		(10)%
General and administrative		40,133		60,759		(20,626)		(34)%
Total operating expenses	$	162,869	$	214,631	$	(51,762)		(24)%

The decrease in our operating expenses in the three months ended September 30, 2022 compared to the three months ended September 30, 2021, was primarily driven by a decrease in stock-based compensation expense which we started recognizing upon the IPO, as a result of meeting the liquidity event condition for stock awards granted, partially offset by increases in personnel-related costs due to annual compensation adjustments and higher headcount to support the growth of our business.

Research and Development

Research and development expense decreased by $21.2 million, or 37%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This was primarily driven by decreases of $26.5 million in stock-based compensation expense, partially offset by increases of $3.7 million in personnel-related costs and $0.8 million in professional services fees.

Sales and Marketing

Sales and marketing expense decreased by $9.9 million, or 10%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This was primarily driven by decreases of $23.8 million in stock-based compensation expense partially offset by increases of $8.9 million in personnel-related costs, $1.4 million in professional services fees, $1.3 million in travel related expenses, $1.1 million in reseller commissions, and $1.0 million in software license fees.

General and Administrative

General and administrative expense decreased by $20.6 million, or 34%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This was primarily driven by decreases of $17.8 million in stock-based compensation expense, and $4.7 million in personnel-related costs, partially offset by an increase of $1.6 million in directors and officers insurance.

Interest and Other (Expense) Income, Net

	Three Months Ended September 30,				Change			
	2022		2021		$		%	
	(dollars in thousands)							
Interest income	$	4,607	$	529	$	4,078		771 %
Other (expense) income, net		(2,358)		22,394		(24,752)		(111)%
Interest and other income, net	$	2,249	$	22,923	$	(20,674)		(90)%

Interest and other income, net decreased $20.7 million or 90% for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Other (expense) income, net decreased by $24.8 million was primarily due to a $23.8 million gain recognized on sale of non-marketable equity instruments during the three month period ended September 30, 2021, and $1.1 million unfavorable foreign exchange movement in the U.S.

dollar. The decrease is partially offset by an increase of $4.1 million interest income earned on higher balances maintained in our marketable securities portfolios.

Provision for (Benefit from) Income Taxes

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Provision for (benefit from) income taxes	$ 1,804	$ (9,915)	$ 11,719	(118)%

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the three months ended September 30, 2022 and 2021, we recorded a provision for (benefit from) income taxes of $1.8 million and $(9.9) million on loss before taxes of $56.0 million and $117.3 million, respectively. The increase in provision for income taxes resulted primarily from a benefit of $11.7 million mostly from stock-based compensation expense recorded during the three months ended September 30, 2021 in jurisdictions where we expect to realize a tax benefit.

Comparison of the Nine Months Ended September 30, 2022 and 2021

Revenue

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Subscription services	$ 355,298	$ 257,827	$ 97,471	38 %
Professional services	9,531	7,715	1,816	24 %
Total revenue	$ 364,829	$ 265,542	$ 99,287	37 %

Revenue increased by $99.3 million, or 37%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This was primarily driven by increases in additional agents enabled by our customers under their account and sales of products to existing customers, as well as the addition of new customers. Our net dollar retention rate of 107% as of September 30, 2022 reflects the expansion within existing customers and the sale of additional products to these customers. The majority of our revenue continues to be generated from subscription services.

Cost of Revenue and Gross Margin

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Cost of revenue	$ 70,616	$ 57,632	$ 12,984	23 %
Gross Margin	80.6 %	78.3 %		

Cost of revenue increased by $13.0 million, or 23%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This was primarily due to increases of $6.6 million in third-party hosting costs, $4.2 million in personnel-related costs due to annual compensation adjustments and higher headcount, $2.5 million in software license fees, $1.2 million in stock-based compensation expense, and $0.8 million in payment gateways fees, and $0.8 million in professional fees, partially offset by a $2.1 million decrease in cloud voice service costs and $1.9 million in amortization of developed technology. Our gross margin increased to 81% for the nine months ended September 30, 2022 from 78% in the same period of the prior year, as we increased our revenue and realized benefits from economies of scale primarily related to our third-party hosting costs.

Operating Expenses

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Research and development	$ 100,885	$ 91,377	$ 9,508	10 %
Sales and marketing	248,369	188,155	60,214	32 %
General and administrative	117,723	76,785	40,938	53 %
Total operating expenses	$ 466,977	$ 356,317	$ 110,660	31 %

The increases in our operating expenses in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, were primarily driven by personnel-related costs due to annual compensation adjustments and higher headcount to support the growth of our business, as well as changes in stock-based compensation expense.

Research and Development

Research and development expense increased by $9.5 million, or 10%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This was primarily driven by increases of $15.7 million in personnel-related costs, $2.3 million in professional services fees, and $0.8 million in third-party cloud infrastructure expenses to support the operations of our research and development programs, partially offset by a decrease of $10.4 million in stock-based compensation expense.

Sales and Marketing

Sales and marketing expense increased by $60.2 million, or 32%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This was primarily driven by increases of $34.5 million in personnel-related costs, $3.7 million in stock-based compensation expense, $6.9 million in advertising, branding, and event costs, $4.4 million in travel related expenses for sales and marketing events, $3.3 million in software license fees, $3.1 million in reseller commissions and $2.7 million in professional services fees.

General and Administrative

General and administrative expense increased by $40.9 million, or 53%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This was primarily driven by increases of $31.8 million in stock-based compensation expense, $5.4 million in directors and officers insurance, $1.2 million in personnel-related costs, $0.4 million in travel related expenses, and $0.8 million in software license fees. General and administrative expense includes $41.8 million and $10.4 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to our CEO in September 2021 for the nine months ended September 30, 2022 and 2021, respectively.

Interest and Other Income, Net

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Interest income	$ 7,522	$ 1,882	$ 5,640	300 %
Other (expense) income, net	(4,913)	21,546	(26,459)	(123)%
Interest and other income, net	$ 2,609	$ 23,428	$ (20,819)	(89)%

Interest and other income, net decreased $20.8 million or 89% for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Other (expense) income, net decreased primarily due to a $23.8 million gain from the sale of non-marketable equity instruments and $1.0 million release of interest and penalty accrued for indirect taxes in the nine-month period ended September 30, 2021, $2.0 million unfavorable foreign exchange movement in the U.S. dollar. The decrease is partially offset by $5.6 million higher interest income earned on higher balances maintained in our marketable securities portfolios.

Provision for (Benefit from) Income Taxes

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Provision for (benefit from) income taxes	$ 6,500	$ (7,720)	$ 14,220	(184)%

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the nine months ended September 30, 2022 and 2021, we recorded provision for (benefit from) income taxes of $6.5 million and $(7.7) million on loss before taxes of $170.2 million and 125.0 million, respectively. The increase in tax expense resulted primarily from a benefit of $11.7 million mostly from stock-based compensation expense recorded during the nine months ended September 30, 2021 in jurisdictions where we expect to realize a tax benefit. Additionally, the increase in the provision for income taxes is also attributable to higher tax expense from profitable foreign jurisdictions.

Liquidity and Capital Resources

As of September 30, 2022, we had cash and cash equivalents of $432.3 million and marketable securities of $719.2 million. Our marketable securities consist primarily of U.S. treasury securities, U.S. government agency securities, corporate debt securities, and mutual funds.

Since inception, we have funded our operations primarily with financing through the issuance of redeemable convertible preferred and common stock to investors. In September 2021, we completed our IPO that generated net proceeds of approximately $1.1 billion. As of September 30, 2022, we had an accumulated deficit of $3.4 billion. Our operating activities resulted in cash outflows of $9.7 million for the nine months ended September 30, 2022.

Our material cash requirements from known contractual and other obligations consist of our operating leases and other service subscription agreements (as described in *Contractual Obligations and Commitments* below).

We believe our existing cash, cash equivalents and marketable securities, will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of our existing cash and cash equivalent balances, cash flow from operations, and issuances of equity securities or debt offerings. Our future capital requirements will depend on many factors, including the rate of our revenue growth, the timing and extent of spending on research and development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product offerings, and other business initiatives and the continuing market adoption of our products. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing in connection with such activities. If we raise additional funds through the incurrence of indebtedness, such indebtedness may have rights that are senior to holders of our equity securities and could contain covenants that restrict our operational flexibility. Any additional equity or convertible debt financing may be dilutive to stockholders. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all.

The following table summarizes our cash flows for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Net cash (used in) provided by operating activities	$ (9,692)	$ 6,616
Net cash (used in) provided by investing activities	(161,074)	11,995
Net cash (used in) provided by financing activities	(144,716)	1,063,019

Cash Flows from Operating Activities

Net cash used in operating activities of $9.7 million for the nine months ended September 30, 2022 reflects our net loss of $176.7 million, adjusted for non-cash items such as stock-based compensation of $150.7 million, amortization of deferred contract acquisition costs of $13.3 million, depreciation and amortization of $8.6 million, non-cash lease expense of $4.5 million, premium amortization of marketable securities of $0.6 million, and net cash outflows of $12.3 million from changes in operating assets and liabilities. The net cash outflows from changes in operating assets and liabilities were due to increases in operating assets of $19.6 million in deferred contract acquisition costs, $12.4 million in prepaid expenses and other assets, $5.3 million in accounts receivable, and a decrease in operating lease liabilities of $7.8 million; offset by increases in operating liabilities of $30.8 million in deferred revenue and $3.9 million in accrued and other liabilities.

Net cash provided by operating activities of $6.6 million for the nine months ended September 30, 2021 reflects our net loss of $117.3 million, adjusted for non-cash items such as stock-based compensation of $124.3 million, gain realized on sale of non-marketable equity investments of $23.8 million, deferred income taxes of $11.7 million, depreciation and amortization of $9.8 million, amortization of deferred contract acquisition costs of $9.1 million, and net cash inflows of $15.1 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities were due to increases in operating liabilities of $39.0 million in deferred revenue and $18.5 million in accrued and other liabilities, partially offset by increases in operating assets of $17.0 million in deferred contract acquisition costs, $14.8 million in prepaid expenses and other assets, and $10.0 million in accounts receivable.

Cash Flows from Investing Activities

Net cash used in investing activities of $161.1 million for the nine months ended September 30, 2022 consisted of $152.1 million in purchases of marketable securities, net of proceeds from maturities and sales, $5.3 million in purchases of property and equipment, and $3.8 million in capitalized internal-use software.

Net cash provided by investing activities of $12.0 million for the nine months ended September 30, 2021 consisted of $24.0 million in proceeds from the sale of non-marketable equity investments and $0.6 million in proceeds from the sale of property and equipment, partially offset by $5.4 million in purchases of marketable securities, net of proceeds from maturities and sales, $4.1 million in purchases of property and equipment, and $3.1 million in capitalized internal-use software.

Cash Flows from Financing Activities

Net cash used in financing activities of $144.7 million for the nine months ended September 30, 2022 primarily consisted of $151.7 million in payment of withholding taxes on net share settlement of equity awards; offset by $7.0 million in proceeds from issuance of common stock under our employee stock purchase plan, net of taxes withheld. The withholding taxes paid includes the taxes related to the settlement and release of all remaining RSUs subject to the terms of certain lock-up agreements with the underwriters of the IPO that expired in February 2022.

Net cash provided by financing activities for the nine months ended September 30, 2021 consisted primarily of $1.1 billion in proceeds from our IPO, net of underwriting discounts and offering expenses, partially offset by $5.5 million in payments for deferred offering costs.

Remaining Performance Obligations on Customer Contracts

We generally enter into subscription agreements with our customers on monthly, annual, or multi-year terms and invoice customers in advance in either monthly or annual installments. A small portion of our annual contracts may have billing terms that are different from their subscription terms, and our multi-year contracts are invoiced annually. As of September 30, 2022, remaining performance obligations totaled $277.4 million, which comprised $191.0 million of deferred revenue and $86.4 million of unbilled amounts.

We expect that the value of the remaining performance obligations will change from one period to another for several reasons, including new contracts, timing of renewals, cancellations, contract modifications and foreign currency fluctuations. We believe that fluctuations in remaining performance obligations are not necessarily a reliable indicator of future revenue and we do not utilize it as a key management metric internally.

Contractual Obligations and Commitments

Our principal commitments consist of operating lease obligations for office space and contractual obligations under third-party cloud infrastructure agreements and service subscription agreements.

As of September 30, 2022, our estimated future contractual obligations totaled $143.1 million, of which $30.0 million and $113.1 million were operating lease commitments and other contractual obligations, respectively. See Note 7—Leases and Note 8—Commitments and Contingencies in the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from data breaches or intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss, or condensed consolidated statements of cash flows.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates, assumptions and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our condensed consolidated financial statements, which, in turn, could change the results from those reported. We evaluate our estimates, assumptions, and judgments on an ongoing basis.

There have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2022 as compared to those disclosed in our "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Annual Report on Form 10-K filed with the SEC on February 23, 2022, except as below:

Leases

The Company determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use (ROU) assets on its condensed consolidated balance sheets at the lease commencement date. Lease liabilities are measured based on the present value of the total lease payments not yet paid, discounted based on either the rate implicit in the lease or the Company's incremental borrowing rate. The incremental borrowing rate is based on an estimate of the Company's expected unsecured borrowing rate for its notes, adjusted for tenor and collateralized security features. We estimate the incremental borrowing rate using yields for maturities that are in line with the duration of the lease payments.

Recent Accounting Pronouncements

See Note 1—Business and Summary of Significant Accounting Policies to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Risk

The functional currency of our foreign subsidiaries is the U.S. dollar. While the majority of our sales is derived in U.S. dollars, we have foreign currency risks related to sales denominated in currencies such as the British Pound and Euro. Our operating expenses incurred by our foreign subsidiaries are denominated in their respective local currencies, and remeasured at the exchange rates in effect on the transaction date. Additionally, fluctuations in foreign exchange rates may result in the recognition of transaction gains and losses in our condensed consolidated statements of operations. Our condensed consolidated results of operations and cash flows are, therefore, subject to foreign exchange rate fluctuations, particularly changes in the Indian Rupee, British Pound and Euro, and may be adversely affected in the future due to changes in foreign exchange rates. We have not entered into any derivative or hedging transactions to date. However, we may do so in the future if our exposure to foreign currency becomes more significant.

Based on a sensitivity analysis we performed as of September 30, 2022, the effect of a hypothetical 10% change in the relative value of the U.S. Dollar to other currencies would not have a material impact on the combined market value of cash, cash equivalents and marketable securities.

Interest Rate Risk

Our cash, cash equivalents, and marketable securities primarily consist of deposits held at financial institutions, highly liquid money market funds, and investments in U.S. treasury securities, U.S. government agency securities, corporate bonds, and commercial paper. We had cash and cash equivalents of $432.3 million and marketable securities of $719.2 million as of September 30, 2022. We do not enter into investments for trading and speculative purposes. The carrying amount of our cash equivalents reasonably approximate fair value, due to the maturities of three months or less of these instruments. Our investments are subject to market risk due to changes in interest rates, which may affect our interest income and the fair value of our investments. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Due in part to these factors, our future investment income may fall short of our expectations 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 marketable 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 other-than-temporary.

Based on an interest rate sensitivity analysis we have performed as of September 30, 2022, a hypothetical 100 basis points favorable or adverse movement in interest rates would not have a material effect in the combined market value of our cash, cash equivalents and marketable securities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on our management’s evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. There are no pending or threatened legal proceedings at this time to which we are a party that, in our opinion, is likely to have a material adverse effect on our future financial results of operations. However, the results of litigation and claims are inherently unpredictable and regardless of the outcome, litigation can have an adverse impact on us because of costly defense and settlement expenses, diversion of management and employee resources to defend such claims and other factors.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described under the section "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on February 23, 2022. as well as the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” before making an investment decision. These identified risks and uncertainties may have a material adverse effect on our business, financial condition, results of operations, and growth prospects. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect our business. Our stock price could decline due to any of these risks, and you may lose all or part of your investment. There have been no material changes from the risks and uncertainties previously disclosed under the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation.	8-K	001-40806	3.1	September 24, 2021	
3.2	Amended and Restated Bylaws.	S-1/A	333-259118	3.4	September 13, 2021	
10.1†	2022 Inducement Plan and forms of agreements thereunder.	S-8	333-267201	4.2	August 31, 2022	
10.2†	2022 Inducement Plan Form of Global RSU Grant Package.	S-8	333-267201	4.3	August 31, 2022	
10.3†	2022 Inducement Plan Form of Global Stock Option Grant Package.	S-8	333-267201	4.4	August 31, 2022	
10.4†	Offer Letter by and between Freshworks Inc. and Dennis Woodside dated August 15, 2022.					X
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

† Indicates management contract or compensatory plan.

The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

Freshworks Inc.

Date:	November 4, 2022	By:	/s/ Rathna Girish Mathrubootham
			Rathna Girish Mathrubootham
			Chief Executive Officer and Chairman (Principal Executive Officer)
Date:	November 4, 2022	By:	/s/ Tyler Sloat
			Tyler Sloat
			Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Freshworks Inc. 2950 S.
Delaware St., Suite 201,
San Mateo, CA 94403

freshworks

August 15, 2022

To: **Dennis Woodside**

Dear Dennis:

Congratulations! I am pleased to present you this offer of employment with Freshworks Inc. ("Freshworks") as President. Your employment offer with Freshworks will get confirmed upon your acceptance of the terms of this offer. I look forward to welcoming you as part of our global team on the Start Date set forth below.

The terms of your employment with Freshworks are set forth below ("Terms"):

1. **Position**. You will serve as President of Freshworks. For so long as you remain an employee of Freshworks in the President role, you will also be nominated to serve as a member of Freshworks' Board of Directors (the "Board"). You will be responsible for the duties and responsibilities customary for the position of President and as may be directed by Freshworks' Chief Executive Officer, to whom you will report. You will work at our facility located in San Mateo, California. Notwithstanding the foregoing, Freshworks may change your position, duties, and work location from time to time in its discretion.

2. **Cash Compensation**. Your annual gross base salary will be **$500,000** (less payroll deductions and withholdings) payable in accordance with Freshworks' standard payroll schedule. Your compensation is subject to adjustment pursuant to Freshworks' employee compensation policies in effect from time to time.

3. **Performance Bonus**. Each year, you will be eligible to receive an annual performance bonus of up to **$500,000**, which will be subject to the attainment of goals agreed upon with the Board. Whether you receive such a bonus, and the amount of such bonus, shall be determined by Freshworks in its sole discretion based upon the attainment, in Freshworks' judgment, of the goals set by Freshworks for you and other criteria to be determined by Freshworks. Any bonus will be paid within thirty (30) days after Freshworks' determination that a bonus shall be awarded. You must be employed on the day that your bonus (if any) is paid in order to earn the bonus. Therefore, if your employment is terminated either by you or by Freshworks for any reason prior to the bonus being paid, you will not have earned the bonus and no partial or prorated bonus will be paid.

4. **Equity Awards**.

   a. **RSUs**. Subject to the approval of the Board or an authorized committee thereof, you shall receive Restricted Stock Units ("RSUs") with a value of $25,000,000 from Freshworks granted pursuant to an equity incentive plan adopted or maintained by Freshworks (the "New Hire RSU Award"). The New Hire RSU Award shall be granted to you on the next established grant date (which shall be September 1, 2022) and the number of RSUs subject to the New Hire RSU Award shall be determined by dividing $25,000,000 by the average closing price of our Class A common stock over the 30 consecutive trading days immediately preceding the grant date, rounded down to the nearest whole share. The New Hire RSU Award shall vest over four years, subject to your continued employment with Freshworks, as follows: (i) 25% on the first anniversary of the grant date and (ii) 6.25% each quarter thereafter. The New Hire RSU Award shall be subject to and governed by the terms and conditions of a Restricted Stock Unit Award Notice and Grant Agreement between you and Freshworks which shall be delivered to you under separate cover.

b. **Options**. Subject to the approval of the Board or an authorized committee thereof, you shall receive an option to purchase shares of Freshworks' Class A common stock (an "Option") with a value of $15,000,000 granted pursuant to an equity incentive plan adopted or maintained by Freshworks (the "New Hire Option Award"). The New Hire Option Award shall (i) be granted to you on the next established grant date (which shall be September 1, 2022) and (ii) have a per-share exercise price equal to the closing price of Freshworks' Class A common stock on the trading day immediately preceding to the grant date. The number of shares subject to the New Hire Option Award shall be determined based on the Black-Scholes value of an Option on the grant date, rounded down to the nearest whole share. The New Hire Option Award shall vest over four years, subject to your continued employment with Freshworks, as follows: (A) 25% on the first anniversary of the grant date and (B) 6.25% each quarter thereafter. The New Hire Option Award shall be subject to and governed by the terms and conditions of a Stock Option Award Notice and Grant Agreement between you and Freshworks which shall be delivered to you under separate cover.

c. **Annual Equity Grants**. After the one-year anniversary of your New Hire RSU Award and New Hire Option Award grant date, you will be eligible to receive annual equity refresh grants as part of the executive compensation review cycle applicable to all members of the management team, subject to you remaining employed and subject to the approval of the Board or an authorized committee thereof and the then-effective equity grant practices of Freshworks, which may change from time to time.

5. **Benefits**. As a regular employee of Freshworks, you will be eligible to participate in a number of company- sponsored benefits offered to similarly situated employees, which may change from time to time. Currently, Freshworks Inc., through Sequoia One, offers health/dental benefits for you and your qualified dependents. Information about these benefits and additional information will be available on-line. Each new employee may need to accept certain terms and conditions from Sequoia in order to access Sequoia One. Freshworks reserves the right to change or revise the benefits offered at any time.

6. **Paid Time Off**. You will be entitled to participate in Freshworks' paid time off and sick time policies, as in effect from time to time.

7. **Employee Inventions and Proprietary Information Agreement**. As a Freshworks employee, you are required to follow its rules and regulations. Therefore you will be asked to acknowledge and sign and comply with the Employee Confidential Information and Invention Assignment Agreement attached hereto as Schedule I ("Schedule I"), which prohibits, among other things, the unauthorized use or disclosure of Freshworks' confidentiality and proprietary information.

8. **Freshworks Policies**. As a Freshworks employee, you agree to comply fully with all Freshworks policies and procedures applicable to employees, as amended and implemented from time to time, including, without limitation, regulatory and compliance procedures. In order to retain necessary flexibility in the administration of its policies and procedures, Freshworks reserves the right to change or revise its policies and procedures. In your work for Freshworks, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by Freshworks. You agree that you will not bring onto Freshworks premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality. You also agree to honor all obligations to former employers during your employment with Freshworks. You hereby represent that you have disclosed to Freshworks any contract you have signed that may restrict your activities on behalf of Freshworks.

9. **Data Protection and Privacy**. Please review Schedule II attached hereto regarding data protection and privacy. By signing this offer letter, you confirm: (a) that, where Freshworks' processing of your personal information is based upon your consent (as described in Freshworks' Staff Privacy Notice) or your consent is otherwise required by applicable law, you consent to the processing of your personal information (including sensitive or special categories of personal information) as described in Schedule II and in the Freshworks' Staff Privacy Notice, and (b) that you will process staff, customer, supplier and other third party personal information strictly in accordance with applicable data protection laws and Freshworks' data protection and information security policies.

10. Severance.

a. Termination for Cause; Death or Disability. If, at any time, the Freshworks terminates your employment for Cause (as defined herein), or if you resign at any time (except for Good Reason) or if either party terminates your employment as a result of your death or disability, you will receive your base salary accrued through your last day of employment, as well as any unused vacation (if applicable) accrued through your last day of employment. Under these circumstances, you will not be entitled to any other form of compensation from Freshworks, including any severance benefits.

b. Termination without Cause. If at any time other than during the Change of Control Period (as defined herein), Freshworks terminates your employment without Cause or you resign for Good Reason, and provided such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "Separation from Service"), then subject to your obligations below, you shall be entitled to receive the following severance benefits (collectively, the "Severance Benefits"):

i. **Salary Continuation**. An amount equal to twelve (12) months of your then current base salary, less all applicable withholdings and deductions, paid over such twelve (12) month period, on the schedule described below (the "Salary Continuation");

ii. **COBRA Benefits**. If you timely elect continued coverage under COBRA for yourself and your covered dependents under Freshworks' group health plans following such termination of employment, then Freshworks shall pay the COBRA premiums necessary to continue your health insurance coverage in effect for yourself and your eligible dependents on the termination date until the earliest of (A) the close of the twelve (12) month period following the termination of your employment, (B) the expiration of your eligibility for the continuation coverage under COBRA, or (C) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self- employment (such period from the termination date through the earliest of (A) through (C), the "COBRA Payment Period"). If you become eligible for coverage under another employer's group health plan or otherwise cease to be eligible for COBRA during the period provided in this clause, you must immediately notify Freshworks of such event, and all payments and obligations under this clause shall cease.

iii. **Target Performance Bonus**. An amount equal to a pro rata portion of your target annual performance bonus for the year in which the covered termination occurred, less all applicable withholdings and deductions. This payment of a pro rata portion your target annual performance bonus will be paid in a lump sum on the same day as the first Salary Continuation payment.

iv. **Vesting Acceleration**. Acceleration of the vesting of all time-based vesting requirements for equity awards previously granted to you as of the date of termination as to the number of shares that would have vested pursuant to the time-based vesting requirements in accordance with the applicable vesting schedule as if you had been in service for an additional six (6) months following your employment termination date (based upon months of service and not the occurrence of corporate events or milestones). Such acceleration shall be effective as of the effective date of your termination of employment.

c. **Termination without Cause or Resignation For Good Reason in Connection With a Change of Control**. If Freshworks terminates your employment without Cause, or you resign for Good Reason, in either case, within three (3) months prior to or twelve (12) months following the effective date of a Change of Control (as defined herein) (the "Change of Control Period"), and provided such termination constitutes a Separation from Service, then subject to your obligations below, you shall be entitled to receive the following severance benefits (collectively, the "Change of Control Severance Benefits"):

i. **Salary Continuation**. An amount equal to eighteen (18) months of your then current base salary, less all applicable withholdings and deductions, paid over such eighteen (18) month period, on the schedule described below (the "Change of Control Salary Continuation");

ii. **COBRA Benefits**. If you timely elect continued coverage under COBRA for yourself and your covered dependents under Freshworks' group health plans following such termination or resignation of employment, then Freshworks shall pay the COBRA premiums necessary to continue your health insurance coverage in effect for yourself and your eligible dependents on the termination date pursuant to the terms set forth in 10(b)(ii) but for a period of eighteen (18), rather than twelve (12) months.

iii. **Target Performance Bonus**. An amount equal to 150% of your target annual performance bonus for the year in which the covered termination occurred, less all applicable withholdings and deductions. This target annual performance bonus amount will be paid in a lump sum on the same day as the first Change of Control Salary Continuation payment;

iv. **Vesting Acceleration**. Acceleration of the vesting of all-time-based vesting requirements for equity awards previously granted to you as of the date of termination. Such acceleration shall be effective as of the effective date of your termination of employment.

d. **Conditions For Receipt of Severance Benefits or Change of Control Severance Benefits**. Both the Severance Benefits and Change of Control Severance Benefits are conditional upon:
(i) your continuing to comply with your obligations under your Employee Inventions and Proprietary Information Agreement; (i) your delivering to Freshworks an effective, general release of claims in favor of Freshworks in a form acceptable to Freshworks within 60 days following your termination date; and (iii) if you are a member of the board of directors of Freshworks and/or any subsidiaries of Freshworks, your resignation from such board of directors and all committees thereof, to be effective no later than the date of your termination date (or such other date as requested by the board of directors). The Salary Continuation or Change of Control Salary Continuation will be paid in equal installments on Freshworks' regular payroll schedule and will be subject to applicable tax withholdings over the period outlined above following the date of your termination date; provided, however, that no payments will be made prior to the 60th day following your Separation from Service. On the 60th day following your Separation from Service, Freshworks will pay you in a lump sum the Salary Continuation or Change of Control Salary Continuation and other Severance Benefits that you would have received on or prior to such date under the original schedule but for the delay while waiting for the 60th day in compliance with Code Section 409A and the effectiveness of the release, with the balance of the Salary Continuation or Change of Control Salary Continuation and other Severance Benefits being paid as originally scheduled. For the avoidance of doubt, in no event will you be entitled to benefits under both Section 10(b) and Section 10(c). If you would otherwise be eligible for severance benefits under both Section 10(b) and Section 10(c), you will receive the benefits set forth in Section 10(c) and such benefits shall be reduced by any benefits previously provided to you under Section 10(b).

e. **Definitions**. For purposes of this agreement, the following terms shall be defined as follows:

i. **Change of Control**. For purposes of this agreement, "Change of Control" means (i) a sale of all or substantially all of Freshworks' assets other than to an Excluded Entity (as defined below), (ii) a merger, consolidation or other capital reorganization or business combination transaction of Freshworks with or into another corporation, limited liability company or other entity other than an Excluded Entity, or (iii) the consummation of a transaction, or series of related transactions, in which any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of all of Freshworks' then outstanding voting securities. Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if its purpose is to (A) change the jurisdiction of Freshworks' incorporation, (B) create a holding company that will be owned in substantially the same proportions by the persons who hold Freshworks' securities immediately before such transaction, or obtain funding for Freshworks in a financing that is approved by Freshworks' board of directors. An "Excluded Entity" means a corporation or other entity of which the holders of voting capital stock of Freshworks outstanding immediately prior to such transaction are the direct or indirect holders of voting securities representing at least a majority of the votes entitled to be cast by all of such corporation's or other entity's voting securities outstanding immediately after such transaction. In no event will a Change of Control be deemed to have occurred if such transaction does not also constitute a "change in the ownership or effective control of" Freshworks or "a change in the ownership of a substantial portion of the assets of" Freshworks as determined under Treasury Regulations Section 1.409A- 3(i)(5).

ii. **Cause**. For purposes of this agreement, "Cause" shall mean one or more of the following: (i) conviction (or guilty or nolo plea) of a felony or crime of moral turpitude; (ii) willful, continued failure or refusal to follow lawful and reasonable instructions of Freshworks; (iii) willful, continued failure to faithfully and diligently perform assigned duties;unethical, immoral, fraudulent, or other serious misconduct; (v) conduct that materially discredits, or is materially detrimental to, Freshworks or any affiliate; or (vi) material breach of Employee Inventions and Proprietary Information Agreement, or Freshworks policies. The determination as to whether you are being terminated for Cause shall be made in good faith by Freshworks and shall be final and binding. The foregoing definition does not in any way limit Freshworks' ability to terminate your employment at any time.

iii. **Good Reason**. For purposes of this agreement, "Good Reason" shall mean the occurrence of any of the following events without your consent: (i) a material reduction in your Base Salary (unless pursuant to a salary reduction program applicable generally to Freshworks' similarly situated employees); (ii) a material reduction in your duties, responsibilities or authority; or (iii) the relocation of your principal place of employment, without your consent, in a manner that lengthens your one-way commute distance by fifty (50) or more miles from your then-current principal place of employment immediately prior to such relocation; provided, however, that, any such termination by you shall only be deemed for Good Reason pursuant to this definition if: (1) you give Freshworks written notice of your intent to terminate for Good Reason within sixty (60) days following the first occurrence of the condition(s) that you believes constitute(s) Good Reason, which notice shall describe such condition(s); (2) Freshworks fails to remedy such condition(s) within thirty (30) days following receipt of the written notice (the "Cure Period"); and (3) you terminate your employment within sixty (60) days following the end of the Cure Period.

11. **Section 409A**. It is intended that all of the severance benefits and other payments payable under this letter satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A 1(b)(4), 1.409A 1(b)(5) and 1.409A 1(b)(9), and this letter will be construed to the greatest extent possible as consistent with those provisions. For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A 2(b)(2)(iii)), your right to receive any installment payments under this letter (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this letter, if you are deemed by Freshworks at the time of your Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with Freshworks are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to you prior to the earliest of (i) the expiration of the six-month period measured from the date of your Separation from Service with Freshworks, (ii) the date of your death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph shall be paid in a lump sum to you, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

12. **Parachute Payments**. In the event that the benefits provided for in this agreement or otherwise payable to you (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this section, would be subject to the excise tax imposed by Section 4999 of the Code, then your benefits under this agreement or otherwise shall be payable either (a) in full, or (b) as to such lesser amount which would result in no portion of such benefits being subject to an excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in your receipt on an after-tax basis, of the greatest amount of benefits under this agreement or otherwise, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. In applying this principle, the reduction shall be

made in a manner consistent with the requirements of Code Section 409A, and if more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata. Unless you and Freshworks otherwise agree in writing, any determination required under this section shall be made in writing by the Freshworks' independent public accountants (the "Accountants"), whose determination shall be conclusive and binding upon you and Freshworks for all purposes. For purposes of making the calculations required by this section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. You and Freshworks shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this section. Freshworks shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this section as well as any costs incurred by you with the Accountants for tax planning under Sections 280G and 4999 of the Code.

13. **No Assignment**. All of your rights and obligations hereunder are personal to you and may not be transferred or assigned by you at any time. Freshworks may assign its rights under these Terms to any entity that assumes Freshworks' obligations hereunder in connection with any sale or transfer of all or a substantial portion of Freshworks' assets to such entity.

14. **Tax Matters**. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. You are encouraged to obtain your own tax advice regarding your compensation from Freshworks. You agree that Freshworks does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against Freshworks or its Board of Directors related to tax liabilities arising from your compensation.

15. **Working at Freshworks**. While you render services to Freshworks, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with Freshworks. By signing this letter agreement, you confirm to Freshworks that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for Freshworks.

16. **Employment Relationship**. Employment with Freshworks is for no specific period of time. Your employment with Freshworks is "at will," meaning that either you or Freshworks may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and Freshworks on this term. Although your job duties, title, compensation and benefits, as well as Freshworks' personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of Freshworks (other than you).

17. **Interpretation, Amendment and Enforcement**. Upon your acceptance of this offer, these Terms together with the Employee Inventions and Proprietary Information Agreement constitutes the complete agreement between you and Freshworks, contains all of the terms of your employment with Freshworks and supersedes any other agreements, promises made to you, representations or understandings (whether written, oral or implied) between you and Freshworks. These Terms may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of Freshworks. These Terms and the resolution of any disputes as to the meaning, effect, performance or validity of these Terms or arising out of, related to, or in any way connected with, these Terms, your employment with Freshworks or any other relationship between you and Freshworks (the "**Disputes**") will be governed by the laws of the State of California, USA excluding laws relating to conflicts or choice of law. You and Freshworks submit to the exclusive personal jurisdiction of the federal and state courts of the State of California in connection with any Dispute or any claim related to any Dispute.

18. **Arbitration**. To ensure the rapid and economical resolution of disputes that may arise in connection with your employment with Freshworks, you and Freshworks agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this letter agreement, your employment with Freshworks, or the termination of your employment, shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. § 1-16, to the fullest extent permitted by law, by final, binding and confidential arbitration conducted by JAMS or its successor, under JAMS' then applicable rules and procedures for employment disputes (available upon request and also currently available at http://www.jamsadr.com/rules-employment-arbitration/) before a single arbitrator in San Jose, California. You acknowledge that by agreeing to this arbitration procedure, both you and Freshworks waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. In addition, all claims, disputes, or causes of action under this section, whether by you or Freshworks, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or

consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. This provision shall not be mandatory for any claim or cause of action to the extent applicable law prohibits subjecting such claim or cause of action to mandatory arbitration and such applicable law is not preempted by the Federal Arbitration Act or otherwise invalid (collectively, the “Excluded Claims”), including claims or causes of action alleging sexual harassment or a nonconsensual sexual act or sexual contact, or claims brought pursuant to the California Private Attorneys General Act of 2004, as amended, the California Fair Employment and Housing Act, as amended, and the California Labor Code, as amended. In the event you intend to bring multiple claims, including one of the Excluded Claims listed above, the Excluded Claims may be publicly filed with a court, while any other claims will remain subject to mandatory arbitration. You will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this letter agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. The arbitrator shall:

(a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator’s essential findings and conclusions on which the award is based. The arbitrator shall be authorized to award all relief that you or Freshworks would be entitled to seek in a court of law. Freshworks shall pay all JAMS arbitration fees in excess of the administrative fees that you would be required to pay if the dispute were decided in a court of law. Nothing in this letter agreement is intended to prevent either you or Freshworks from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

Please sign and date this letter and the Employee Confidential Information and Invention Assignment Agreement to signify your acceptance of this offer and to accept employment at Freshworks under the Terms described above. This offer, if not accepted, will expire at the close of business on August 12, 2022. This offer of employment is contingent upon the satisfactory results of a background check to be performed. As required by law, your employment with Freshworks is also contingent upon you providing legal proof of your identity and authorization to work in the United States. Your employment is also contingent upon you starting work with Freshworks on the Start Date set forth below. If you are unable to provide documentation of your authorization to work in the United States, or if you are unable to start work with Freshworks on the Start Date, this letter will have no effect and you will not be employed by Freshworks.

We look forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Rathna Girish Mathrubootham

Rathna Girish Mathrubootham
Chief Executive Officer and Chairman

I understand and accept the terms of this employment offer.

/s/ Dennis Woodside
Dennis Woodside

August 15, 2022

Date

Start Date: September 1, 2022

Exhibit 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

I, Rathna Girish Mathrubootham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Freshworks 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)) 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) 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

   (c) 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: November 4, 2022

By: /s/ Rathna Girish Mathrubootham

Rathna Girish Mathrubootham
Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 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

I, Tyler Sloat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Freshworks 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)) 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) 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

   (c) 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: November 4, 2022

By: /s/ Tyler Sloat

Tyler Sloat
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 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**

In connection with the Quarterly Report of Freshworks Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof, to which this Certificate is attached as Exhibit 32.1 (the "Report"), I, Rathna Girish Mathrubootham, Chief Executive Officer and Chairman of the Company, do hereby certify, to the best of my knowledge and pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned has set his hands hereto as of the date set forth below.

Date: November 4, 2022

By: /s/ Rathna Girish Mathrubootham

Rathna Girish Mathrubootham
Chief Executive Officer and Chairman
(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 the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 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**

In connection with the Quarterly Report of Freshworks Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof, to which this Certificate is attached as Exhibit 32.2 (the "Report"), I, Tyler Sloat, Chief Financial Officer of the Company, do hereby certify, to the best of my knowledge and pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned has set his hands hereto as of the date set forth below.

Date: November 4, 2022

By: /s/ Tyler Sloat

Tyler Sloat
Chief Financial Officer
(Principal Financial Officer and Principal Accounting 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 the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.