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 June 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 July 29, 2022, the number of shares of registrant's Class A common stock outstanding was 145,388,463 and the number of shares of the registrant's Class B common stock outstanding was 140,903,130.

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;
- 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 effectively manage our growth, including any international expansion;
- 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 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)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 590,107	$ 747,861
Marketable securities	584,015	575,679
Accounts receivable, net of allowance of $5,678 and $6,030	55,415	51,756
Deferred contract acquisition costs	17,012	14,640
Prepaid expenses and other current assets	38,036	31,440
Total current assets	1,284,585	1,421,376
Property and equipment, net	23,339	21,478
Operating lease right-of-use assets	28,639	—
Deferred contract acquisition costs, noncurrent	16,580	15,007
Intangible assets, net	855	1,894
Goodwill	6,181	6,181
Deferred tax assets	5,589	6,284
Other assets	12,520	10,592
Total assets	$ 1,378,288	$ 1,482,812
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,291	$ 6,321
Accrued liabilities	59,087	55,829
Deferred revenue	182,795	160,173
Income tax payable	161	1,023
Total current liabilities	248,334	223,346
Operating lease liabilities, non-current	25,517	—
Other liabilities	24,827	21,427
Total liabilities	298,678	244,773
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.00001 par value per share; 10,000,000 shares authorized as of June 30, 2022 and December 31, 2021; zero shares issued and outstanding as of June 30, 2022 and December 31, 2021	—	—
Class A common stock, $0.00001 par value per share; 1,000,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 125,413,749 and 50,554,821 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	1	—
Class B common stock, $0.00001 par value per share; 350,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 160,144,746 and 222,739,562 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	2	3

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

	June 30, 2022	December 31, 2021
Additional paid-in capital	4,475,669	4,509,724
Accumulated other comprehensive loss	(6,309)	(747)
Accumulated deficit	(3,389,753)	(3,270,941)
Total stockholders' equity	1,079,610	1,238,039
Total liabilities and stockholders' equity	$ 1,378,288	$ 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ 121,432	$ 88,341	$ 236,069	$ 168,928
Cost of revenue	24,042	18,703	46,437	35,396
Gross profit	97,390	69,638	189,632	133,532
Operating expense:				
Research and development	34,297	18,895	65,014	34,290
Sales and marketing	90,038	48,862	161,504	91,370
General and administrative	40,407	8,320	77,590	16,026
Total operating expenses	164,742	76,077	304,108	141,686
Loss from operations	(67,352)	(6,439)	(114,476)	(8,154)
Interest and other (expense) income, net	(242)	132	360	505
Loss before income taxes	(67,594)	(6,307)	(114,116)	(7,649)
Provision for income taxes	2,159	1,122	4,696	2,195
Net loss	(69,753)	(7,429)	(118,812)	(9,844)
Accretion of redeemable convertible preferred stock	—	(597,955)	—	(381,824)
Net loss attributable to common stockholders - basic and diluted	$ (69,753)	$ (605,384)	$ (118,812)	$ (391,668)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.24)	$ (7.79)	$ (0.42)	$ (5.04)
Weighted average shares used in computing net loss per share attributable to common stockholders - basic and diluted	284,761	77,753	281,492	77,724

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (69,753)	$ (7,429)	$ (118,812)	$ (9,844)
Other comprehensive loss:				
Unrealized loss on marketable securities	(1,956)	(165)	(5,562)	(413)
Comprehensive loss	$ (71,709)	$ (7,594)	$ (124,374)	$ (10,257)

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 June 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 March 31, 2022	—	$ —	283,070	$ 3	$ 4,435,568	$ (4,353)	$ (3,320,000)	$ 1,111,218
Issuance of common stock upon exercise of stock options	—	—	242	—	74	—	—	74
Issuance of common stock upon vesting and settlement of restricted stock units, net of shares withheld for taxes	—	—	1,736	—	(18,290)	—	—	(18,290)
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	—	—	—	—	51,358	—	—	51,358
Unrealized loss on marketable securities	—	—	—	—	—	(1,956)	—	(1,956)
Net loss	—	—	—	—	—	—	(69,753)	(69,753)
Balances as of June 30, 2022	—	$ —	285,558	$ 3	$ 4,475,669	$ (6,309)	$ (3,389,753)	$ 1,079,610

	Three Months Ended June 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 March 31, 2021	153,938	$ 2,678,965	77,750	$ 1	$ 75,603	$ 163	$ (2,559,019)	$ (2,483,252)
Accretion of redeemable convertible preferred stock	—	597,955	—	—	(75,613)	—	(522,342)	(597,955)
Issuance of common stock upon exercise of stock options	—	—	6	—	10	—	—	10
Unrealized loss on marketable securities	—	—	—	—	—	(165)	—	(165)
Net loss	—	—	—	—	—	—	(7,429)	(7,429)
Balances as of June 30, 2021	153,938	$ 3,276,920	77,756	$ 1	$ —	$ (2)	$ (3,088,790)	$ (3,088,791)

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)

	Six Months Ended June 30, 2022							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' (Deficit) Equ
	Shares	Amount	Shares	Amount				
Balances as of December 31, 2021	—	$ —	273,294	$ 3	$ 4,509,724	$ (747)	$ (3,270,941)	$ 1,238,03
Issuance of common stock upon exercise of stock options	—	—	355	—	103	—	—	10
Issuance of common stock upon vesting and settlement of restricted stock units, net of shares withheld for taxes	—	—	11,399	—	(139,100)	—	—	(139,10
Issuance of common stock under employee stock purchase plan, net of shares withheld and retired for taxes	—	—	510	—	6,959	—	—	6,95
Stock-based compensation	—	—	—	—	97,983	—	—	97,98
Unrealized loss on marketable securities	—	—	—	—	—	(5,562)	—	(5,56
Net loss	—	—	—	—	—	—	(118,812)	(118,81
Balances as of June 30, 2022	—	$ —	285,558	$ 3	$ 4,475,669	$ (6,309)	$ (3,389,753)	$ 1,079,61

	Six Months Ended June 30, 2021							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholder 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	—	381,824	—	—	(31)	—	(381,793)	(381,82
Issuance of common stock upon exercise of stock options	—	—	137	—	31	—	—	3
Unrealized loss on marketable securities	—	—	—	—	—	(413)	—	(41
Net loss	—	—	—	—	—	—	(9,844)	(9,84
Balances as of June 30, 2021	153,938	$ 3,276,920	77,756	$ 1	$ —	$ (2)	$ (3,088,790)	$ (3,088,79

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

	Six Months Ended June 30,	
	2022	2021
Cash Flows Operating Activities:		
Net loss	$ (118,812)	$ (9,844)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,779	6,418
Amortization of deferred contract acquisition costs	8,696	5,669
Non-cash lease expense	2,896	—
Stock-based compensation	96,760	—
Premium amortization on marketable securities	1,097	795
Change in fair value of equity securities	(85)	(65)
Deferred income taxes	309	—
Other	1,195	50
Changes in operating assets and liabilities:		
Accounts receivable	(3,824)	(6,110)
Deferred contract acquisition costs	(12,641)	(11,000)
Prepaid expenses and other assets	(8,445)	(1,860)
Accounts payable	454	3,971
Accrued and other liabilities	3,206	(5,676)
Deferred revenue	22,623	26,314
Operating lease liabilities	(4,677)	—
Net cash (used in) provided by operating activities	(5,469)	8,662
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,381)	(2,786)
Proceeds from sale of property and equipment	83	557
Capitalized internal-use software	(2,722)	(2,177)
Purchases of marketable securities	(288,200)	(110,840)
Sales of marketable securities	92,786	34,755
Maturities and redemptions of marketable securities	180,570	81,804
Net cash (used in) provided by investing activities	(20,864)	1,313
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock under employee stock purchase plan, net	7,011	—
Proceeds from exercise of stock options	96	31
Payment of withholding taxes on net share settlement of equity awards	(138,349)	—
Payment of deferred offering costs	(109)	(2,405)
Net cash used in financing activities	(131,351)	(2,374)
Net (decrease) increase in cash, cash equivalents and restricted cash	(157,684)	7,601
Cash, cash equivalents and restricted cash, beginning of period	747,864	98,331
Cash, cash equivalents and restricted cash, end of period	$ 590,180	$ 105,932
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:		
Cash and cash equivalents	$ 590,107	$ 104,796
Restricted cash included in prepaid expenses and other current assets	46	114
Restricted cash included in other assets	27	1,022
Total cash, cash equivalents and restricted cash	$ 590,180	$ 105,932
Supplemental cash flow information:		
Cash paid for taxes	$ 5,318	$ 3,728
Non-cash investing and financing activities:		
Operating lease right-of-use assets obtained in exchange for operating lease obligations	$ 7,219	$ —
Stock-based compensation capitalized as internal-use software	$ 1,223	$ —
Deferred offering costs	$ —	$ 1,279
Accretion of redeemable convertible preferred stock	$ —	$ 381,824

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 June 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 six months ended June 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 June 30, 2022 and its results of operations and cash flows for the three and six months ended June 30, 2022 and 2021. The results of operations for the three and six months ended June 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, 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 six months ended June 30, 2022 and 2021 or that represented 10% or more of the Company's consolidated accounts receivable balance as of June 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 six months ended June 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Subscription services	$ 118,393	$ 85,693	$ 229,790	$ 163,515
Professional services	3,039	2,648	6,279	5,413
Total revenue	$ 121,432	$ 88,341	$ 236,069	$ 168,928

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 June 30, 2022 and 2021 from amounts included in deferred revenue at the beginning of these periods was $80.3 million and $56.0 million, respectively. Revenue recognized during the six months ended June 30, 2022 and 2021 from amounts included in deferred revenue at the beginning of these periods was $118.2 million and $76.7 million, respectively.

The aggregate balance of remaining performance obligations as of June 30, 2022 was $266.8 million. The Company expects to recognize $207.5 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Balance at beginning of the period	$ 30,972	$ 20,404	$ 29,647	$ 18,273
Add: Contract costs capitalized during the period	7,041	6,210	12,641	11,000
Less: Amortization of contract costs during the period	(4,421)	(3,010)	(8,696)	(5,669)
Balance at end of the period	$ 33,592	$ 23,604	$ 33,592	$ 23,604

3. Cash Equivalents and Marketable Securities

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

	June 30, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 306,917	$ —	$ —	$ 306,917
U.S. treasury securities	44,963	—	(10)	44,953
U.S. government agency securities	172,992	—	(56)	172,936
Corporate debt securities	11,988	—	—	11,988
Total cash equivalents	536,860	—	(66)	536,794
Debt securities:				
U.S. treasury securities	371,776	6	(3,714)	368,068
U.S. government agency securities	124,725	23	(1,676)	123,072
Corporate debt securities	93,757	—	(882)	92,875
Total debt securities	590,258	29	(6,272)	584,015
Total cash equivalents and debt securities	$ 1,127,118	$ 29	$ (6,338)	$ 1,120,809

	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

As of June 30, 2022 and 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):

	June 30, 2022	
	Amortized Cost	Fair Value
Due within one year	$ 433,496	$ 429,867
Due after one year but within five years	156,762	154,148
Total	$ 590,258	$ 584,015

Accrued interest receivable of $1.6 million was classified in prepaid expenses and other current assets in the condensed consolidated balance sheet of as June 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 June 30, 2022, there were no investments in term bond mutual funds. As of December 31, 2021, the fair value of the term bond mutual funds was $3.7 million.

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 six months ended June 30, 2022 and 2021.

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 June 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 June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022 Fair Value Measured Using		
	Level 1	Level 2	Total
Financial assets:			
Cash equivalents:			
Money market funds	$ 306,917	$ —	$ 306,917
U.S. treasury securities	44,953	—	44,953
U.S. government agency securities	—	172,936	172,936
Corporate debt securities	—	11,988	11,988
Marketable securities:			
U.S. treasury securities	368,068	—	368,068
U.S. government agency securities	—	123,072	123,072
Corporate debt securities	—	92,875	92,875
Total financial assets	$ 719,938	$ 400,871	$ 1,120,809

	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 June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
Computers	$ 14,588	$ 13,041
Capitalized internal-use software	17,395	14,178
Office equipment	3,478	3,375
Furniture and fixtures	8,599	8,395
Motor vehicles	1,274	1,421
Leasehold improvements	4,297	4,274
Construction in progress	1,476	—
Total property and equipment	51,107	44,684
Less: accumulated depreciation and amortization	(27,768)	(23,206)
Property and equipment, net	$ 23,339	$ 21,478

Capitalization of costs associated with internal-use software were $2.6 million and $1.2 million for the three months ended June 30, 2022 and 2021, respectively; and $3.9 million and $2.2 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, the net carrying value of capitalized internal-use software was $10.1 million and $8.3 million, respectively.

Depreciation and amortization expense was $2.4 million and $2.2 million for the three months ended June 30, 2022 and 2021, respectively; and $4.7 million and $4.3 million for the six months ended June 30, 2022 and 2021, respectively.

Accrued Liabilities

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

	June 30, 2022	December 31, 2021
Accrued compensation	$ 17,785	$ 17,261
Accrued third-party cloud infrastructure expenses	2,597	2,785
Accrued reseller commissions	6,361	5,870
Accrued advertising and marketing expenses	8,954	6,022
Advanced payments from customers	3,362	3,260
Accrued taxes	7,044	10,777
Operating lease liabilities, current	5,859	—
Contributions withheld for employee stock purchase plan	1,683	4,211
Other accrued expenses	5,442	5,643
Total accrued liabilities	$ 59,087	$ 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 June 30, 2022 and December 31, 2021:

	June 30, 2022			
	Gross Amount	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life
	(amounts in thousands)			(in years)
Developed technology	$ 10,496	$ (9,987)	$ 509	0.7
Customer relationships	1,600	(1,254)	346	0.9
Total	$ 12,096	$ (11,241)	$ 855	

	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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Developed technology:				
Cost of revenue	$ 315	$ 980	$ 840	$ 1,949
Customer relationships:				
Sales and marketing	100	99	199	198
Total amortization expense	$ 415	$ 1,079	$ 1,039	$ 2,147

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

Year Ending December 31,	Amortization Expense
2022 (remaining six months)	552
2023	303
Total future amortization	$ 855

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 June 30, 2022	Six months ended June 30, 2022
Operating lease cost	$ 2,104	$ 3,879
Short-term lease cost	342	657
Variable lease cost	769	1,438

Rent expense for operating leases recognized prior to our adoption of Topic 842 for the three and six months ended June 30, 2021 was $2.4 million and $4.9 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	**June 30, 2022**
Weighted-average remaining lease term (in years)	5.2
Weighted-average discount rate	7.5 %

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 June 30, 2022**	**Six months ended June 30, 2022**
Cash payments included in the measurement of operating lease liabilities	$ 1,550	$ 4,274
Operating ROU assets obtained in exchange for lease obligations	1,895	7,219

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

Year Ending December 31:	**Operating Leases**
2022 (remaining 6 months)	$ 3,803
2023	8,406
2024	7,593
2025	6,753
2026	4,448
Thereafter	8,292
Total lease payments	39,295
Less: imputed interest	(7,919)
Present value of operating lease liabilities	$ 31,376

As of June 30, 2022, future payments related to signed leases that have not yet commenced, excluded from the table above, are not material.

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 June 30, 2022, other contractual commitments totaling $123.2 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.

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

	June 30, 2022
2011 Stock Plan:	
Options and RSUs outstanding	27,923
2021 Equity Incentive Plan:	
RSUs outstanding	8,749
Shares reserved for future award issuances	50,412
2021 Employee Stock Purchase Plan	8,698
Total shares of common stock reserved for issuance	95,782

2021 Employee Stock Purchase Plan

Under the ESPP, the price at which Class A common stock is purchased is equal to 85% of the fair market value of a share of the Company's Class A 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 begin 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 six months ended June 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 stock price on the purchase date is less than the stock price on the offering date. The reset provision under the ESPP was triggered on May 13, 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 three and six months ended June 30, 2022.

During the three and six months ended June 30, 2022, the Company recognized $4.0 million and $7.2 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	**Three and Six Months Ended June 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 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 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. As of June 30, 2022, 976,634 stock options were outstanding and exercisable with an aggregate intrinsic value of $12.6 million. All stock options are fully vested and exercisable and have a weighted-average exercise price of $0.27 per share. Aggregate intrinsic value 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 and exercisable.

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 six months ended June 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	8,519	$ 18.76
Vested	(19,030)	$ 7.83
Forfeited	(1,603)	$ 16.15
Unvested, as of June 30, 2022	35,716	$ 18.95

During the three and six months ended June 30, 2022, total shares that vested were 2.8 million and 19.0 million, of which 1.0 million shares and 7.6 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 $18.4 million and $138.3 million during the three and six months ended June 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 June 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.

For the three and six months ended June 30, 2022, the Company recognized $7.0 million and $13.9 million, respectively, of stock-based compensation expense associated with the CEO Performance Award described above which were recorded in general and administrative expense.

Stock-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of revenue	$ 1,914	$ —	$ 3,440	$ —
Research and development	7,819	—	16,128	—
Sales and marketing	15,033	—	27,569	—
General and administrative (1)	25,369	—	49,623	—
Stock-based compensation, net of amounts capitalized	50,135	—	96,760	—
Capitalized stock-based compensation	1,223	—	1,223	—
Total stock-based compensation expense	$ 51,358	$ —	$ 97,983	$ —

(1) For the three and six months ended June 30, 2022, general and administrative expense includes $13.9 million and $27.7 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to the CEO in September 2021, respectively.

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

	June 30, 2022	
	Unrecognized Stock-Based Compensation	Weighted-Average Period to Recognize Expense (in years)
RSUs and PRSUs	$ 616,893	3.2
ESPP	14,658	1.1
Total unrecognized stock-based compensation expense	$ 631,551	

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 six months ended June 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	$ (69,753)	$ (7,429)	$ (118,812)	$ (9,844)
Accretion of redeemable convertible preferred stock	—	(597,955)	—	(381,824)
Net loss attributable to Class A and Class B common stockholders - basic and diluted	$ (69,753)	$ (605,384)	$ (118,812)	$ (391,668)
Denominator:				
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders - basic and diluted	284,761	77,753	281,492	77,724
Net loss per share attributable to Class A and Class B common stockholders - basic and diluted	$ (0.24)	$ (7.79)	$ (0.42)	$ (5.04)

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 Six Months Ended June 30,	
	2022	2021
Redeemable convertible preferred stock	—	153,938
RSUs and PRSUs	35,716	45,751
Stock options	977	1,759
ESPP	151	—
Total	36,844	201,448

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 income taxes was $2.2 million and $1.1 million for the three months ended June 30, 2022 and 2021, respectively; and $4.7 million and $2.2 million for the six months ended June 30, 2022 and 2021, respectively. The increase in the provision for income taxes in the three and six months ended June 30, 2022 was $1.1 million and $2.5 million, respectively, which was primarily 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
North America	$ 52,117	$ 37,568	$ 100,890	$ 71,7
Europe, Middle East and Africa	47,878	37,349	93,383	71,1
Asia Pacific	18,240	11,578	35,719	22,4
Other	3,197	1,846	6,077	3,6
Total revenue	$ 121,432	$ 88,341	$ 236,069	$ 168,9

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

	June 30, 2022	December 31, 2021
North America	$ 21,870	$ 13,7
Europe, Middle East and Africa	2,942	5
Asia Pacific	27,166	9,0
Total long-lived assets	$ 51,978	$ 23,3

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 total revenue was $121.4 million and $88.3 million in the three months ended June 30, 2022 and 2021, respectively; and $236.1 million and $168.9 million in the six months ended June 30, 2022 and 2021, respectively; representing year-over-year growth rate of 37% and 40%, respectively. We incurred operating losses of $67.4 million and $6.4 million for three months ended June 30, 2022 and 2021, respectively; and $114.5 million and $8.2 million for the six months ended June 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 expose us more to the risk of fluctuations in foreign currency markets.

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 remain 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.

	June 30,		
	2022	2021	% Growth
Number of customers contributing more than $5,000 in annual recurring revenue	16,212	13,326	22 %
Net dollar retention rate	111 %	118 %	

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.

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, and amortization of acquired intangibles, 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Loss from operations	$ (67,352)	$ (6,439)	$ (114,476)	$ (8,154)
Non-GAAP adjustments:				
Stock-based compensation expense	50,135	—	96,760	—
Employer payroll taxes on employee stock transactions	1,007	—	315	—
Amortization of acquired intangibles	415	1,079	1,039	2,147
Non-GAAP loss from operations	$ (15,795)	$ (5,360)	$ (16,362)	$ (6,007)

Non-GAAP Net Loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (69,753)	$ (7,429)	$ (118,812)	$ (9,844)
Non-GAAP adjustments:				
Stock-based compensation expense	50,135	—	96,760	—
Employer payroll taxes on employee stock transactions	1,007	—	315	—
Amortization of acquired intangibles	415	1,079	1,039	2,147
Income tax adjustments	582	—	963	—
Non-GAAP net loss	$ (17,614)	$ (6,350)	$ (19,735)	$ (7,697)

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net cash (used in) provided by operating activities	$ (6,824)	$ 885	$ (5,469)	$ 8,662
Less:				
Purchases of property and equipment	(1,984)	(799)	(3,381)	(2,786)
Capitalized internal-use software	(1,378)	(1,221)	(2,722)	(2,177)
Free cash flow	$ (10,186)	$ (1,135)	$ (11,572)	$ 3,699
Net cash provided by (used in) investing activities	$ 4,782	$ (14,437)	$ (20,864)	$ 1,313
Net cash (used in) financing activities	$ (11,322)	$ (2,367)	$ (131,351)	$ (2,374)

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 Income Taxes

Provision for 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ 121,432	$ 88,341	$ 236,069	$ 168,928
Cost of revenue[1]	24,042	18,703	46,437	35,396
Gross profit	97,390	69,638	189,632	133,532
Operating expenses:				
Research and development[1]	34,297	18,895	65,014	34,290
Sales and marketing[1]	90,038	48,862	161,504	91,370
General and administrative[1]	40,407	8,320	77,590	16,026
Total operating expenses	164,742	76,077	304,108	141,686
Loss from operations	(67,352)	(6,439)	(114,476)	(8,154)
Interest and other (expense) income, net	(242)	132	360	505
Loss before income taxes	(67,594)	(6,307)	(114,116)	(7,649)
Provision for income taxes	2,159	1,122	4,696	2,195
Net loss	$ (69,753)	$ (7,429)	$ (118,812)	$ (9,844)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of revenue	$ 1,914	$ —	$ 3,440	$ —
Research and development	7,819	—	16,128	—
Sales and marketing	15,033	—	27,569	—
General and administrative[2]	25,369	—	49,623	—
Total stock-based compensation expense	$ 50,135	$ —	$ 96,760	$ —

(2) For the three and six months ended June 30, 2022, general and administrative expense includes $13.9 million and $27.7 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to the CEO in September 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	20	21	20	21
Gross profit	80	79	80	79
Operating expense:				
Research and development	28	21	28	20
Sales and marketing	74	55	68	54
General administrative	33	9	33	9
Total operating expenses	135	85	129	83
Loss from operations	(55)	(6)	(49)	(4)
Interest and other income, net	—	—	—	—
Loss before income taxes	(55)	(6)	(49)	(4)
Provision for income taxes	2	1	2	1
Net loss	(57)%	(7)%	(51)%	(5)%

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

Revenue

	Three Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Subscription services	$ 118,393	$ 85,693	$ 32,700	38 %
Professional services	3,039	2,648	391	15 %
Total revenue	$ 121,432	$ 88,341	$ 33,091	37 %

Revenue increased by $33.1 million, or 37%, for the three months ended June 30, 2022 compared to the three months ended June 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 111% as of June 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 June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Cost of revenue	$ 24,042	$ 18,703	$ 5,339	29 %
Gross Margin	80 %	79 %		

Cost of revenue increased by $5.3 million, or 29%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. This was primarily due to increases of $2.0 million in third-party hosting costs, $1.9 million in stock-based compensation expense, $1.6 million in personnel-related costs due to annual compensation adjustments and higher headcount, and $0.9 million in software license fees, partially offset by a $1.2 million decrease in cloud voice service costs and $0.7 million in amortization of developed technology. Our gross margin increased to 80% for the three months ended June 30, 2022 from 79% 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 June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Research and development	$ 34,297	$ 18,895	$ 15,402	82 %
Sales and marketing	90,038	48,862	41,176	84 %
General and administrative	40,407	8,320	32,087	386 %
Total operating expenses	$ 164,742	$ 76,077	$ 88,665	117 %

The increases in our operating expenses in the three months ended June 30, 2022 compared to the three months ended June 30, 2021, were primarily in personnel-related costs due to annual compensation adjustments and higher headcount in order to support the growth of our business, as well as stock-based compensation expense we recognized subsequent to the IPO.

Research and Development

Research and development expense increased by $15.4 million, or 82%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. This was primarily driven by increases of $7.8 million in stock-based compensation expense, $5.9 million in personnel-related costs, and $0.9 million in professional services fees.

Sales and Marketing

Sales and marketing expense increased by $41.2 million, or 84%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. This was primarily driven by increases of $15.0 million in stock-based compensation expense, $13.6 million in personnel-related costs, $5.7 million in advertising, branding, and event costs, $2.8 million in travel related expenses for sales and marketing events, $1.3 million in reseller commissions, $1.0 million in software license fees, and $1.0 million in professional services fees.

General and Administrative

General and administrative expense increased by $32.1 million, or 386%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. This was primarily driven by increases of $25.4 million in stock-based compensation expense, $2.5 million in personnel-related costs, $1.9 million in directors and officers insurance, and $1.4 million in professional service fees comprising primarily of legal, accounting and consulting fees.

Interest and Other (Expense) Income, Net

	Three Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Interest income	$ 2,109	$ 650	$ 1,459	224 %
Other (expense) income, net	(2,351)	(518)	(1,833)	354 %
Interest and other (expense) income, net	$ (242)	$ 132	$ (374)	(283)%

Interest and other (expense) income, net decreased for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to $1.5 million interest income earned on higher balances maintained in our marketable securities portfolios, offset by a $1.8 million unfavorable foreign exchange movement in the U.S. dollar.

Provision for Income Taxes

	Three Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Provision for income taxes	$ 2,159	$ 1,122	$ 1,037	92 %

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the three months ended June 30, 2022 and 2021, we recorded a provision for income taxes of $2.2 million and $1.1 million on loss before taxes of $67.6 million and $6.3 million, respectively. The increase in the provision for income taxes was primarily due to a higher tax expense of $1.1 million from our foreign jurisdictions.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue

	Six Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Subscription services	$ 229,790	$ 163,515	$ 66,275	41 %
Professional services	6,279	5,413	866	16 %
Total revenue	$ 236,069	$ 168,928	$ 67,141	40 %

Revenue increased by $67.1 million, or 40%, for the six months ended June 30, 2022 compared to the six months ended June 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 111% as of June 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

	Six Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Cost of revenue	$ 46,437	$ 35,396	$ 11,041	31 %
Gross Margin	80 %	79 %		

Cost of revenue increased by $11.0 million, or 31%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. This was primarily due to increases of $4.5 million in third-party hosting costs, $3.2 million in personnel-related costs due to annual compensation adjustments and higher headcount, $3.4 million in stock-based compensation expense, $1.8 million in software license fees, and $0.6 million in payment gateways fees, partially offset by a $2.4 million decrease in cloud voice service costs and $1.1 million in amortization of developed technology. Our gross margin increased to 80% for the six months ended June 30, 2022 from 79% 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

	Six Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Research and development	$ 65,014	$ 34,290	$ 30,724	90 %
Sales and marketing	161,504	91,370	70,134	77 %
General and administrative	77,590	16,026	61,564	384 %
Total operating expenses	$ 304,108	$ 141,686	$ 162,422	115 %

The increases in our operating expenses in the six months ended June 30, 2022 compared to the six months ended June 30, 2021, were primarily in personnel-related costs due to annual compensation adjustments and higher headcount to support the growth of our business, as well as stock-based compensation expense we recognized subsequent to the IPO.

Research and Development

Research and development expense increased by $30.7 million, or 90%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. This was primarily driven by increases of $16.1 million in stock-based compensation expense, $12.0 million in personnel-related costs, $1.6 million in professional services fees, and $0.5 million in third-party cloud infrastructure expenses to support the operations of our research and development programs.

Sales and Marketing

Sales and marketing expense increased by $70.1 million, or 77%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. This was primarily driven by increases of $27.6 million in stock-based compensation expense, $25.6 million in personnel-related costs, $7.1 million in advertising, branding, and event costs, $3.1 million in travel related expenses for sales and marketing events, $2.2 million in software license fees, $2.1 million in reseller commissions, and $1.4 million in professional services fees.

General and Administrative

General and administrative expense increased by $61.6 million, or 384%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. This was primarily driven by increases of $49.6 million in stock-based compensation expense, $5.9 million in personnel-related costs, $3.8 million in directors and officers insurance, $0.7 million in professional services fees, comprised primarily of legal, accounting and consulting fees, and $0.6 million in software license fees.

Interest and Other Income, Net

	Six Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Interest income	$ 2,915	$ 1,353	$ 1,562	115 %
Other income, net	(2,555)	(848)	(1,707)	201 %
Interest and other income, net	$ 360	$ 505	$ (145)	(29)%

Interest and other income, net decreased for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to $1.0 million release of interest and penalty accrued for indirect taxes in the six-month period ended June 30, 2021, $0.7 million unfavorable foreign exchange movement in the U.S. dollar, partially offset by $1.5 million higher interest income earned on higher balances maintained in our marketable securities portfolios.

Provision for Income Taxes

	Six Months Ended June 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Provision for income taxes	$ 4,696	$ 2,195	$ 2,501	114 %

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the six months ended June 30, 2022 and 2021, we recorded provision for income taxes of $4.7 million and $2.2 million on loss before taxes of $114.1 million and 7.6 million, respectively. The increase in tax expense was primarily due to a higher tax expense of $2.5 million from our profitable foreign jurisdictions.

Liquidity and Capital Resources

As of June 30, 2022, we had cash and cash equivalents of $590.1 million and marketable securities of $584.0 million. Our marketable securities consist primarily of U.S. treasury securities, U.S. government agency securities, and corporate debt securities.

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 June 30, 2022, we had an accumulated deficit of $3.4 billion. Our operating activities resulted in cash outflows of $5.5 million for the six months ended June 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):

	Six Months Ended June 30,	
	2022	2021
Net cash (used in) provided by operating activities	$ (5,469)	$ 8,662
Net cash (used in) provided by investing activities	(20,864)	1,313
Net cash (used in) financing activities	(131,351)	(2,374)

Cash Flows from Operating Activities

Net cash used in operating activities of $5.5 million for the six months ended June 30, 2022 reflects our net loss of $118.8 million, adjusted for non-cash items such as stock-based compensation of $96.8 million, amortization of deferred contract acquisition costs of $8.7 million, depreciation and amortization of $5.8 million, non-cash lease expense of $2.9 million, premium amortization of marketable securities of $1.1 million, and net cash outflows of $3.3 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 $12.6 million in deferred contract acquisition costs, $8.4 million in prepaid expenses and other assets, $3.8 million in accounts receivable, and a decrease in operating lease liabilities of $4.7 million; offset by increases in operating liabilities of $22.6 million in deferred revenue and $3.2 million in accrued and other liabilities.

Net cash provided by operating activities of $8.7 million for the six months ended June 30, 2021 reflects our net loss of $9.8 million, adjusted for non-cash items such as depreciation and amortization of $6.4 million, amortization of deferred contract acquisition costs of $5.7 million, and net cash inflows of $5.6 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 $26.3 million in deferred revenue and $4.0 million in accounts payable; offset by increases in operating assets of $11.0 million in deferred contract acquisition costs, $6.1 million in accounts receivable, $1.9 million in prepaid expenses and other assets, and a decrease of $5.7 million in accrued and other liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities of $20.9 million for the six months ended June 30, 2022 consisted of $14.8 million in purchases of marketable securities, net of proceeds from maturities and sales, $3.4 million in purchases of property and equipment, and $2.7 million in capitalized internal-use software.

Net cash provided by investing activities of $1.3 million for the six months ended June 30, 2021 consisted of $5.7 million in proceeds from the maturities and sales of marketable securities, net of purchases, partially offset by $2.8 million in purchases of property and equipment, and $2.2 million in capitalized internal-use software.

Cash Flows from Financing Activities

Net cash used in financing activities of $131.4 million for the six months ended June 30, 2022 primarily consisted of $138.3 million in payment of withholding taxes on net share settlement of equity awards and $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 used in financing activities for the six months ended June 30, 2021 consisted primarily of $2.4 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 June 30, 2022, remaining performance obligations totaled $266.8 million, which comprised $182.8 million of deferred revenue and $84.0 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 June 30, 2022, our estimated future contractual obligations totaled $154.6 million, of which $31.4 million and $123.2 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 six months ended June 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.

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 $590.1 million and marketable securities of $584.0 million as of June 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 June 30, 2022, a hypothetical 10% 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	
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

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:	August 5, 2022	By:	/s/ Rathna Girish Mathrubootham
			Rathna Girish Mathrubootham
			Chief Executive Officer and Chairman (Principal Executive Officer)
Date:	August 5, 2022	By:	/s/ Tyler Sloat
			Tyler Sloat
			Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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: August 5, 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: August 5, 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 June 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: August 5, 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 June 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: August 5, 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.