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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 2023

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):

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

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

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

As of April 28, 2023, the number of shares of registrant's Class A common stock outstanding was 168,032,444 and the number of shares of the registrant's Class B common stock outstanding was 123,110,145.

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**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 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;
- the effects of macroeconomic uncertainties, including rising interest rates, foreign exchange rate volatility, global geopolitical uncertainties, inflationary pressures, the ongoing impacts of the COVID-19 pandemic and other macroeconomic factors beyond our control;
- our ability to protect our intellectual property rights and any costs associated therewith;
- 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 these 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](http://freshworks.com)) and the investor relations section of our website ([ir.freshworks.com](http://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)*

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 344,487	\$ 304,083
Marketable securities	806,122	843,405
Accounts receivable, net of allowance of \$7,288 and \$6,628	72,807	70,470
Deferred contract acquisition costs	20,761	20,139
Prepaid expenses and other current assets	46,487	38,913
Total current assets	1,290,664	1,277,010
Property and equipment, net	24,214	24,139
Operating lease right-of-use assets	31,175	33,024
Deferred contract acquisition costs, noncurrent	18,865	19,536
Goodwill	6,181	6,181
Deferred tax assets	8,645	8,689
Other assets	11,098	11,637
<b>Total assets</b>	<b>\$ 1,390,842</b>	<b>\$ 1,380,216</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 4,415	\$ 5,908
Accrued liabilities	58,327	59,008
Deferred revenue	220,550	205,626
Income tax payable	2,177	1,150
Total current liabilities	285,469	271,692
Operating lease liabilities, non-current	26,183	28,174
Other liabilities	28,748	28,532
<b>Total liabilities</b>	<b>340,400</b>	<b>328,398</b>
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.00001 par value per share; 10,000,000 shares authorized; zero shares issued and outstanding	—	—
Class A common stock, \$0.00001 par value per share; 1,000,000,000 shares authorized; 167,518,238 and 162,825,075 shares issued and outstanding	2	2
Class B common stock, \$0.00001 par value per share; 350,000,000 shares authorized; 123,016,745 and 126,268,150 shares issued and outstanding	1	1
Additional paid-in capital	4,600,688	4,562,319
Accumulated other comprehensive loss	(4,512)	(7,431)
Accumulated deficit	(3,545,737)	(3,503,073)
<b>Total stockholders' equity</b>	<b>1,050,442</b>	<b>1,051,818</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,390,842</b>	<b>\$ 1,380,216</b>

*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)*

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenue	\$ 137,692	\$ 114,637
Cost of revenue	25,236	22,395
Gross profit	112,456	92,242
Operating expense:		
Research and development	32,857	30,717
Sales and marketing	86,810	71,466
General and administrative	40,896	37,183
Total operating expenses	160,563	139,366
Loss from operations	(48,107)	(47,124)
Interest and other income, net	9,479	602
Loss before income taxes	(38,628)	(46,522)
Provision for income taxes	4,036	2,537
Net loss	(42,664)	(49,059)
Net loss per share - basic and diluted	\$ (0.15)	\$ (0.18)
Weighted average shares used in computing net loss per share - basic and diluted	290,133	278,186

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss	\$ (42,664)	\$ (49,059)
Other comprehensive loss:		
Change in unrealized loss on marketable securities	2,922	(3,606)
Net change on cash flow hedges	(3)	—
Total other comprehensive income (loss)	2,919	(3,606)
Comprehensive loss	\$ (39,745)	\$ (52,665)

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



**FRESHWORKS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(in thousands)*  
*(unaudited)*

	Three Months Ended March 31, 2023						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount					
Balances as of December 31, 2022	289,093	\$ 3	\$ 4,562,319	\$ (7,431)	\$ (3,503,073)	\$ 1,051,818	
Issuance of common stock upon exercise of stock options	19	—	6	—	—	6	
Issuance of common stock upon vesting and settlement of restricted stock units, net of shares withheld for taxes	1,423	—	(12,845)	—	—	(12,845)	
Stock-based compensation	—	—	51,208	—	—	51,208	
Other comprehensive income	—	—	—	2,919	—	2,919	
Net loss	—	—	—	—	(42,664)	(42,664)	
Balances as of March 31, 2023	<u>290,535</u>	<u>\$ 3</u>	<u>\$ 4,600,688</u>	<u>\$ (4,512)</u>	<u>\$ (3,545,737)</u>	<u>\$ 1,050,442</u>	

	Three Months Ended March 31, 2022						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount					
Balances as of December 31, 2021	273,294	\$ 3	\$ 4,509,724	\$ (747)	\$ (3,270,941)	\$ 1,238,039	
Issuance of common stock upon exercise of stock options	113	—	29	—	—	29	
Issuance of common stock upon vesting and settlement of restricted stock units, net of shares withheld for taxes	9,663	—	(120,810)	—	—	(120,810)	
Stock-based compensation	—	—	46,625	—	—	46,625	
Unrealized loss on marketable securities	—	—	—	(3,606)	—	(3,606)	
Net loss	—	—	—	—	(49,059)	(49,059)	
Balances as of March 31, 2022	<u>283,070</u>	<u>\$ 3</u>	<u>\$ 4,435,568</u>	<u>\$ (4,353)</u>	<u>\$ (3,320,000)</u>	<u>\$ 1,111,218</u>	

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

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

	Three Months Ended March 31,	
	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (42,664)	\$ (49,059)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,112	2,973
Amortization of deferred contract acquisition costs	5,617	4,275
Non-cash lease expense	1,850	1,404
Stock-based compensation	50,694	46,625
Premium (discount) amortization on marketable securities	(3,520)	766
Change in fair value of equity securities	(15)	(85)
Deferred income taxes	113	309
Other	85	754
Changes in operating assets and liabilities:		
Accounts receivable	(2,490)	3,160
Deferred contract acquisition costs	(5,568)	(5,600)
Prepaid expenses and other assets	(7,248)	(8,685)
Accounts payable	(1,494)	(2,059)
Accrued and other liabilities	(392)	(4,972)
Deferred revenue	14,924	14,239
Operating lease liabilities	(1,500)	(2,690)
Net cash provided by operating activities	11,504	1,355
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(383)	(1,397)
Proceeds from sale of property and equipment	24	17
Capitalized internal-use software	(2,025)	(1,344)
Purchases of marketable securities	(217,754)	(151,408)
Sales of marketable securities	—	58,736
Maturities and redemptions of marketable securities	261,474	69,750
Net cash provided by (used in) investing activities	41,336	(25,646)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from exercise of stock options	6	28
Payment of withholding taxes on net share settlement of equity awards	(12,434)	(119,948)
Payment of deferred offering costs	—	(109)
Net cash used in financing activities	(12,428)	(120,029)
Net increase (decrease) in cash, cash equivalents and restricted cash	40,412	(144,320)
Cash, cash equivalents and restricted cash, beginning of period	304,158	747,864
Cash, cash equivalents and restricted cash, end of period	\$ 344,570	\$ 603,544
<b>Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:</b>		
Cash and cash equivalents	\$ 344,487	\$ 603,466
Restricted cash included in prepaid expenses and other current assets	3	46
Restricted cash included in other assets	80	32
Total cash, cash equivalents and restricted cash	\$ 344,570	\$ 603,544
<b>Supplemental cash flow information:</b>		
Cash paid for taxes	\$ 2,158	\$ 3,649
<b>Non-cash investing and financing activities:</b>		
Operating lease right-of-use assets obtained in exchange for operating lease obligations	\$ —	\$ 5,324
Stock-based compensation capitalized as internal-use software	\$ 514	\$ —

*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.

***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 March 31, 2023, the condensed consolidated statements of operations, of comprehensive loss, of cash flows, and of stockholders' equity for the three months ended March 31, 2023 and 2022, 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 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 March 31, 2023 and its results of operations and cash flows for the three months ended March 31, 2023 and 2022. The results of operations for the three months ended March 31, 2023 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, 2022, which was filed with the SEC on February 23, 2023.

***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.

#### ***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, 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 months ended March 31, 2023 and 2022 or that represented 10% or more of the Company's consolidated accounts receivable balance as of March 31, 2023.

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, 2022. 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 months ended March 31, 2023. However, starting in 2023, the Company entered into foreign exchange forward contracts to hedge a portion of its forecasted foreign currency expenses and while the impact of the Company's derivative instruments are not material to its condensed consolidated financial statements, the accounting policy on *Derivative Instruments* is discussed below.

#### ***Derivative Instruments***

The Company enters into foreign currency forward contracts, most of which were designated as cash flow hedges, in order to manage the volatility of cash flows that relate to cost of revenues and operating expenses denominated in Indian Rupee. All derivative instruments are measured at fair value based upon quoted market prices for comparable instruments and as such, classified within Level 2 of the fair value hierarchy. Derivative assets and liabilities are presented on a gross basis on the condensed consolidated balance sheets under prepaid expenses and other current assets and accrued liabilities, respectively.

Gains or losses related to cash flow hedges are recorded as a component of accumulated other comprehensive income (AOCI) on the condensed consolidated statements of stockholders' equity until the forecasted transaction occurs in earnings. When the forecasted transaction occurs, the related gains and losses are reclassified into earnings within the financial statement line item associated with the underlying hedged transaction. If the underlying hedged transaction does not occur, or it becomes probable that the hedged transaction will not occur, the cumulative unrealized gain or loss is reclassified immediately from AOCI into earnings within interest and other income. Changes in the fair value of currency forward exchange contracts due to changes in time value were excluded from the assessment of effectiveness. The initial value of this excluded component is amortized on a straight-line basis over the life of the hedging instrument and recognized in the financial statement line item to which the hedge relates. A majority of the balance related to foreign exchange derivative instruments included in AOCI at March 31, 2023 is expected to be reclassified into earnings within 12 months.

Derivative instruments are classified in the condensed consolidated statements of cash flows as cash from operating activities, which reflect the classification of the underlying hedged transactions.

The Company does not use derivative financial instruments for trading or speculative purposes.

As of March 31, 2023, the total notional amount of outstanding designated foreign currency forward contracts was \$22.3 million. The fair value of derivative assets and liabilities as of March 31, 2023, and all related unrealized and realized gains and losses during the three months ended March 31, 2023 were not material.

Entering into derivative instruments exposes the Company to credit risk to the extent that the counterparties are unable to meet the terms of the contract. The Company mitigates this credit risk by transacting with major financial institutions with high credit ratings. In addition, the Company has entered into master netting arrangements that mitigates credit risk by permitting net settlement of transactions. As such, the Company's exposure is not considered significant. The Company does not have any collateral requirements with its counterparties.

#### ***Recent Accounting Pronouncements***

There have been no recently issued accounting pronouncements that are expected to have a material impact on the Company's condensed consolidated financial statements.

## **2. Revenue From Contracts with Customers**

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 March 31,	
	2023	2022
Subscription services	\$ 134,023	\$ 111,397
Professional services	3,669	3,240
Total revenue	<u>\$ 137,692</u>	<u>\$ 114,637</u>

See Note 11 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 March 31, 2023 and 2022 from amounts included in deferred revenue at the beginning of these periods was \$93.7 million and \$72.2 million, respectively.

The aggregate balance of remaining performance obligations as of March 31, 2023 was \$325.6 million. The Company expects to recognize \$253.7 million of the balance as revenue in the next 12 months and the remainder thereafter. The aggregate balance of remaining performance obligations represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods.

### Deferred Contract Acquisition Costs

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

	Three Months Ended March 31,			
	2023		2022	
Balance at beginning of the period	\$	39,675	\$	29,647
Add: Contract costs capitalized during the period		5,568		5,600
Less: Amortization of contract costs during the period		(5,617)		(4,275)
Balance at end of the period	\$	39,626	\$	30,972

### 3. Cash Equivalents and Marketable Securities

Cash equivalents and available-for-sale debt securities consisted of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Cash equivalents:</b>				
Money market funds	\$ 155,266	\$ —	\$ —	\$ 155,266
U.S. treasury securities	37,797	9	—	37,806
U.S. government agency securities	48,796	18	—	48,814
Corporate debt securities	10,474	—	—	10,474
Total cash equivalents	252,333	27	—	252,360
<b>Debt securities:</b>				
U.S. treasury securities	346,566	95	(1,621)	345,040
U.S. government agency securities	376,006	232	(2,691)	373,547
Corporate debt securities	86,564	—	(550)	86,014
Total debt securities	809,136	327	(4,862)	804,601
Total cash equivalents and debt securities	\$ 1,061,469	\$ 354	\$ (4,862)	\$ 1,056,961

	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Cash equivalents:</b>				
Money market funds	\$ 219,512	\$ —	\$ —	\$ 219,512
U.S. treasury securities	13,912	3	—	13,915
U.S. government agency securities	10,417	2	—	10,419
Corporate debt securities	1,995	1	—	1,996
Total cash equivalents	245,836	6	—	245,842
<b>Debt securities:</b>				
U.S. treasury securities	441,909	36	(3,160)	438,785
U.S. government agency securities	301,009	35	(3,531)	297,513
Corporate debt securities	106,436	—	(817)	105,619
Total debt securities	849,354	71	(7,508)	841,917
Total cash equivalents and debt securities	\$ 1,095,190	\$ 77	\$ (7,508)	\$ 1,087,759

The following table presents gross unrealized losses and fair values for the securities that were in a continuous unrealized loss position as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury securities	\$ 89,652	\$ (687)	\$ 76,712	\$ (934)	\$ 166,364	\$ (1,621)
U.S. government agency securities	241,211	(1,701)	39,039	(990)	280,250	(2,691)
Corporate debt securities	20,555	(275)	20,596	(275)	41,151	(550)
Total	\$ 351,418	\$ (2,663)	\$ 136,347	\$ (2,199)	\$ 487,765	\$ (4,862)

	December 31, 2022					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury securities	\$ 190,820	\$ (1,794)	\$ 105,115	\$ (1,366)	\$ 295,935	\$ (3,160)
U.S. government agency securities	220,766	(2,245)	42,754	(1,286)	263,520	(3,531)
Corporate debt securities	30,485	(455)	22,864	(362)	53,349	(817)
Total	\$ 442,071	\$ (4,494)	\$ 170,733	\$ (3,014)	\$ 612,804	\$ (7,508)

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

	March 31, 2023	
	Amortized Cost	Fair Value
Due within one year	\$ 602,486	\$ 598,941
Due after one year but within five years	206,650	205,660
<b>Total</b>	<b>\$ 809,136</b>	<b>\$ 804,601</b>

Accrued interest receivable of \$3.2 million and \$2.8 million was classified in prepaid expenses and other current assets in the condensed consolidated balance sheet as of March 31, 2023 and December 31, 2022, respectively.

In addition to available-for-sale debt securities, marketable securities also include term bond mutual funds, which are measured at fair value. As of March 31, 2023 and December 31, 2022, the fair value of the term bond mutual funds was \$1.5 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 months ended March 31, 2023 and 2022.

#### 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 March 31, 2023 and December 31, 2022.



**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 March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023		
	Fair Value Measured Using		
	Level 1	Level 2	Total
<b>Financial assets:</b>			
Cash equivalents:			
Money market funds	\$ 155,266	\$ —	\$ 155,266
U.S. treasury securities	37,806	—	37,806
U.S. government agency securities	—	48,814	48,814
Corporate debt securities	—	10,474	10,474
Marketable securities:			
U.S. treasury securities	345,040	—	345,040
U.S. government agency securities	—	373,547	373,547
Corporate debt securities	—	86,014	86,014
Term bond mutual funds	—	1,521	1,521
Total financial assets	<u>\$ 538,112</u>	<u>\$ 520,370</u>	<u>\$ 1,058,482</u>
	December 31, 2022		
	Fair Value Measured Using		
	Level 1	Level 2	Total
<b>Financial assets:</b>			
Cash equivalents:			
Money market funds	\$ 219,512	\$ —	\$ 219,512
U.S. treasury securities	13,915	—	13,915
U.S. government agency securities	—	10,419	10,419
Corporate debt securities	—	1,996	1,996
Marketable securities:			
U.S. treasury securities	438,785	—	438,785
U.S. government agency securities	—	297,513	297,513
Corporate debt securities	—	105,619	105,619
Term bond mutual funds	—	1,488	1,488
Total financial assets	<u>\$ 672,212</u>	<u>\$ 417,035</u>	<u>\$ 1,089,247</u>

## 5. Balance Sheet Components

### *Property and Equipment, net*

The following table summarizes property and equipment, net as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023	December 31, 2022
Computers	\$ 16,499	\$ 16,552
Capitalized internal-use software	22,769	20,230
Office equipment	3,881	3,744
Furniture and fixtures	8,879	8,881
Motor vehicles	1,140	1,158
Leasehold improvements	5,654	5,654
Construction in progress	158	224
Total property and equipment	58,980	56,443
Less: accumulated depreciation and amortization	(34,766)	(32,304)
Property and equipment, net	<u>\$ 24,214</u>	<u>\$ 24,139</u>

Capitalization of costs associated with internal-use software were \$2.5 million and \$1.3 million for the three months ended March 31, 2023 and 2022, respectively. Amortization expense of capitalized internal-use software was \$1.1 million and \$0.7 million for the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023 and December 31, 2022, the net carrying value of capitalized internal-use software was \$12.6 million and \$11.2 million, respectively.

Depreciation expense was \$1.7 million for each of the three month periods ended March 31, 2023 and 2022.

### *Accrued Liabilities*

The following table summarizes accrued liabilities as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023	December 31, 2022
Accrued compensation	\$ 18,721	\$ 20,192
Accrued third-party cloud infrastructure expenses	2,459	2,752
Accrued reseller commissions	6,973	7,731
Accrued advertising and marketing expenses	4,557	4,465
Advanced payments from customers	3,928	3,480
Accrued taxes	6,372	7,730
Operating lease liabilities, current	7,266	6,775
Contributions withheld for employee stock purchase plan	3,836	1,546
Other accrued expenses	4,215	4,337
Total accrued liabilities	<u>\$ 58,327</u>	<u>\$ 59,008</u>

Noncurrent liabilities include \$23.4 million and \$23.3 million of long term accrued compensation as of March 31, 2023 and December 31, 2022, respectively.

## 6. Leases

The Company has operating leases primarily for office space. The leases have remaining lease terms of one to eight years, some of which include options to extend the lease for up to an additional six years. The Company's leases do not contain any residual value guarantee.

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

Operating Leases	Three Months Ended March 31,	
	2023	2022
Operating lease cost	\$ 2,494	\$ 1,775
Short-term lease cost	174	315
Variable lease cost	785	669

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	March 31, 2023	March 31, 2022
Weighted-average remaining lease term (in years)	4.6	5.6
Weighted-average discount rate	7.8 %	7.7 %

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 March 31,	
	2023	2022
Cash payments included in the measurement of operating lease liabilities	\$ 2,326	\$ 2,724
Operating ROU assets obtained in exchange for lease obligations	—	5,324

As of March 31, 2023, maturities of the operating lease liabilities are as follows (in thousands):

	Operating Leases
Remainder of 2023	\$ 6,907
2024	9,761
2025	8,795
2026	5,533
2027	4,235
Thereafter	5,800
Total lease payments	41,032
Less: imputed interest	(7,583)
Present value of operating lease liabilities	\$ 33,449

As of March 31, 2023, there were no future payments related to signed leases that have not yet commenced.

## 7. 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 March 31,

2023, other contractual commitments totaling \$93.0 million remain outstanding under these agreements through 2025.

### ***Litigation and Loss Contingencies***

On November 1, 2022, a purported Company stockholder filed a securities class action complaint in the U.S. District Court for the Northern District of California against the Company, certain of its current officers and directors, and underwriters of the Company's initial public offering (IPO). On April 14, 2023, the court appointed lead plaintiff filed a consolidated amended class action complaint. The complaint alleges that defendants violated Sections 11, 12(a) (2), and 15 of the Securities Act of 1933 by making material misstatements or omissions in offering documents filed in connection with the IPO. The complaint seeks unspecified damages, interest, fees, costs, and rescission on behalf of purchasers and/or acquirers of common stock issued in the IPO. The Company and the other defendants intend to vigorously defend against the claims in this action.

On March 20, 2023, a purported stockholder derivative complaint was filed in the U.S. District Court for the Northern District of California. The complaint names as defendants the Company's current directors, as well as the Company as nominal defendant, and asserts state and federal claims based on some of the same alleged misstatements as the securities class action complaint. The derivative complaint seeks unspecified damages, attorneys' fees, and other costs. The Company and the other defendants intend to vigorously defend against the claims in this action.

From time to time, the Company has been and may be in the future subject to other legal proceedings, claims, investigations, and government inquiries (collectively, Legal Proceedings) in the ordinary course of business. It has received and 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.

## **8. 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 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 shares of the Company's Class A common stock. Both the 2021 Plan and ESPP include an automatic increase to their shares reserve on January 1 of each year as set forth in the respective plan documents.

In August 2022, the Board adopted the 2022 Inducement Plan (the Inducement Plan) in accordance with Listing Rule 5635(c)(4) of the Nasdaq Stock Market. Under the Inducement Plan, nonstatutory stock options, stock

appreciation rights, restricted stock, RSUs, PRSUs and other awards may be granted as an inducement material for eligible persons to enter into employment with the Company.

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

	March 31, 2023
<b>2011 Stock Plan:</b>	
Options, RSUs and PRSUs outstanding	19,180
<b>2021 Equity Incentive Plan:</b>	
Options and RSUs outstanding	10,747
Shares reserved for future award issuances	66,768
<b>2022 Inducement Plan:</b>	
Options and RSUs outstanding	3,509
Shares reserved for future award issuances	6,491
<b>2021 Employee Stock Purchase Plan</b>	<b>11,181</b>
<b>Total shares of common stock reserved for issuance</b>	<b>117,876</b>

### **2021 Employee Stock Purchase Plan**

Under the ESPP, the price at which common stock is purchased is equal to 85% of the fair market value of a share of the Company's common stock on the first day of the offering period or the applicable purchase date, whichever is lower. The fair market value of common stock will generally be the closing sales price on the determination date. The ESPP provides an offering period of 24 months, with four purchase periods that are generally six months long and end on May 15 and November 15 of each year, except for the first purchase period, which began upon the completion of the IPO in September 2021 and ended on May 13, 2022.

The ESPP also includes a reset provision for the purchase price if the fair market value of a share of the Company's common stock on the first day of any purchase period is less than or equal to the fair market value of a share of the Company's common stock on the first day of an ongoing offering. If the reset provision is triggered, a new 24-month offering period begins. The reset provision under the ESPP was triggered on May 16, 2022, and again on November 16, 2022. Each triggering of the reset provision was 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 months ended March 31, 2023.

During the three months ended March 31, 2023 and 2022, the Company recognized \$2.0 million and \$3.2 million of stock-based compensation expense related to the ESPP, respectively.

### **Stock Options**

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

Share Information:	Number of Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) <sup>(1)</sup>
<b>Balance as of December 31, 2022</b>	2,758	\$ 9.06	7.3	\$ 15,595
Stock options exercised	(19)	\$ 0.31		
Stock options cancelled / forfeited / expired	(3)	\$ 0.16		
<b>Balance as of March 31, 2023</b>	2,736	\$ 9.12	7.1	\$ 17,062
Options vested and expected to vest as of March 31, 2023	2,736	\$ 9.12	7.1	\$ 17,062
Options exercisable as of March 31, 2023	920	\$ 0.27	2.4	\$ 13,884

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

### **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 three months ended March 31, 2023 is as follows:

Share Information:	Number of Shares (in thousands, except per share data)	Weighted-Average Grant Date Fair Value Per Share
<b>Unvested, as of December 31, 2022</b>	32,253	\$ 18.86
Granted	1,540	\$ 14.54
Vested <sup>(1)</sup>	(2,261)	\$ 17.23
Forfeited	(832)	\$ 17.39
<b>Unvested, as of March 31, 2023</b>	30,700	\$ 18.80

(1) During the three months ended March 31, 2023, total shares that vested were 2.3 million, of which 0.8 million were withheld for tax purposes.

The total fair value of vested RSUs during the three months ended March 31, 2023 and 2022 was \$39.0 million and \$106.6 million, respectively.

### **Performance-Based Awards**

In May 2019, the Board approved a grant of 166,390 shares of PRSUs to the Company's Chief Executive Officer (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 March 31, 2023, the time-based vesting was the only condition yet to be satisfied over the remaining requisite service period, and the number of shares to vest subject to this condition is insignificant.

In September 2021, the Board approved a grant of 6,000,000 PRSUs to the Company's CEO with a time-based service condition beginning January 1, 2022, and a market condition involving five separate stock price targets ranging from \$70.00 to \$200.00 per share for each of the five vesting tranches (CEO Performance Award). These stock price targets will be measured based on the average closing price over a consecutive 60-trading day period, beginning on the first trading day after the expiration of the final lock-up period in February 2022. The vesting of the CEO Performance Award is contingent upon the completion of the requisite service through January 1, 2029 and the achievement of the specified stock price target in each tranche on or before January 1, 2029. The stock price targets are not required to be achieved within the service period of each tranche, and accordingly, multiple tranches

can vest at the same date if the specified stock price targets are achieved after December 31, 2025. The CEO Performance Award had a total grant date fair value of \$131.0 million. The fair value of the CEO Performance Award was determined at grant date by using the Monte Carlo simulation model, which requires certain complex valuation assumption inputs such as measurement period, expected stock price volatility, risk-free interest rate and dividend yield.

The Company recognized stock-based compensation expense associated with PRSUs granted to the CEO of \$6.9 million and \$6.9 million for the three months ended March 31, 2023 and 2022, respectively. These expenses were recorded in general and administrative expenses in the condensed consolidated statements of operations.

#### Stock-Based Compensation

Total stock-based compensation expense recorded for the three months ended March 31, 2023 and 2022 was as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cost of revenue	\$ 1,696	\$ 1,526
Research and development	8,979	8,309
Sales and marketing <sup>(1)</sup>	15,756	12,536
General and administrative <sup>(2)</sup>	24,263	24,254
Stock-based compensation, net of amounts capitalized	50,694	46,625
Capitalized stock-based compensation	514	—
Total stock-based compensation expense	\$ 51,208	\$ 46,625

(1) Sales and marketing expense for the three months ended March 31, 2023 includes \$2.4 million of stock-based compensation expense related to RSUs, options and ESPP purchase rights granted to the President of the Company.

(2) General and administrative expense includes \$13.8 million and \$13.8 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to the CEO in September 2021 for the three months ended March 31, 2023 and 2022, respectively.

As of March 31, 2023, unrecognized stock-based compensation expense related to unvested stock-based awards was as follows (in thousands, except for period data):

	March 31, 2023	
	Unrecognized Stock-Based Compensation	Weighted-Average Period to Recognize Expense (in years)
RSUs and PRSUs	\$ 491,190	2.9
Stock options	12,834	3.4
ESPP	10,027	1.0
Total unrecognized stock-based compensation expense	\$ 514,051	

## 9. 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 stock options and RSUs as potential common stock

equivalents, but excluded them from the computation of diluted net loss per share attributable to common stockholders for the three months ended March 31, 2023 and 2022, 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 March 31,	
	2023	2022
<b>Numerator:</b>		
Net loss	\$ (42,664)	\$ (49,059)
<b>Denominator:</b>		
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders - basic and diluted	290,133	278,186
Net loss per share attributable to Class A and Class B common stockholders - basic and diluted	\$ (0.15)	\$ (0.18)

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 Months Ended March 31,	
	2023	2022
RSUs and PRSUs	30,700	32,238
Stock options	2,736	1,236
ESPP	294	409
Total	33,730	33,883

## 10. 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 windfalls or shortfalls from stock-based compensation) in the period offset with our valuation allowance. The provision for income taxes was \$4.0 million and \$2.5 million for the three months ended March 31, 2023 and 2022, respectively. The increase in the provision for income taxes in the three months ended March 31, 2023, as compared to the same period in 2022, was primarily due to an increase in profit before tax from foreign jurisdictions.



## 11. Geographic Information

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

	Three Months Ended March 31,	
	2023	2022
North America	\$ 61,067	\$ 48,773
Europe, Middle East and Africa	52,866	45,505
Asia Pacific	20,025	17,479
Other	3,734	2,880
Total revenue	<u>\$ 137,692</u>	<u>\$ 114,637</u>

Revenue from North America consists primarily of revenue from the United States. For the three months ended March 31, 2023 and 2022, revenue generated from the United States was \$53.9 million and \$42.8 million, or 39% and 37% of total consolidated revenue, respectively. The United Kingdom, included within Europe, Middle East and Africa in the table above, contributed \$17.1 million and \$14.9 million or 12% and 13% of total consolidated revenue for the three months ended March 31, 2023 and 2022, respectively.

Long-lived assets consist primarily of property, plant and equipment and ROU assets. The following table summarizes long-lived assets by geographic information (in thousands):

	March 31, 2023	December 31, 2022
North America	\$ 24,329	\$ 23,839
Europe, Middle East and Africa	3,584	4,039
Asia Pacific	27,476	29,285
Total long-lived assets	<u>\$ 55,389</u>	<u>\$ 57,163</u>

Long-lived assets in North America are primarily located in the United States, and long lived assets in Asia Pacific are primarily located in India.

## 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, 2022 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; Freshsales and Freshmarketer, our sales force and marketing automation solutions; and Freshchat, our messaging/chat product offering.

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 \$137.7 million and \$114.6 million in the three months ended March 31, 2023 and 2022, respectively, representing a year-over-year growth rate of 20%. We incurred operating losses of \$48.1 million and \$47.1 million for three months ended March 31, 2023 and 2022, respectively.

### Macroeconomic and Other Factors

Current macroeconomic uncertainties, including inflationary pressures, significant volatility in global markets, geopolitical developments, and the ongoing impacts of the COVID-19 pandemic have impacted and may continue to impact business spending and the overall economy, and in turn our business. These macroeconomic events could adversely affect demand for our products and services. Additionally, foreign currency exchange rate fluctuations negatively impacted our revenue growth in 2022. During the first quarter of 2023, while the Euro and British Pound Sterling remained relatively stable against the U.S. dollar, volatility in the foreign currency market still exists. For the quarters ended March 31, 2023, December 31, 2022 and March 31, 2022, we had approximately 26%, 26% and 27% of revenue exposure related to the Euro and British Pound Sterling. If these conditions persist, they could have a material adverse impact on our results and our ability to accurately predict our future results and earnings.

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

## 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 also review customer data used for calculating these key business metrics on an ongoing basis and make the necessary modifications resulting from such review. We believe these key business metrics provide meaningful supplemental information for management and investors in assessing our operating performance.

	March 31,	
	2023	2022
Number of customers contributing more than \$5,000 in ARR	18,441	15,639
ARR from customers contributing more than \$5,000 in ARR as a percentage of total ARR	87 %	86 %
Net dollar retention rate	107 %	115 %

### *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.

For monthly subscriptions, we take the recurring revenue run-rate of such subscriptions for the last month of the period and multiply it by 12 to get to ARR. While monthly subscribers as a group have historically maintained or increased their subscriptions over time, there is no guarantee that any particular customer on a monthly subscription will renew its subscription in any given month, and therefore the calculation of ARR for these monthly subscriptions may not accurately reflect revenue to be received over a 12-month period from such customers, and net dollar retention rate may reflect a higher rate than the actual rate if customers on monthly subscriptions choose not to renew during the course of the 12 months. Monthly subscriptions represented 19% and 23% of ARR as of March 31, 2023 and 2022, respectively. The net dollar retention rate for customers on monthly contracts has generally been lower than our overall net dollar retention rate. In addition, as part of our regular review of customer data that includes reviewing customers purchasing our products via resellers so we can properly attribute them as end customers, we may make adjustments that could impact the calculation of net dollar retention.

Our net dollar retention rate of 107% as of March 31, 2023 decreased from 115% as of March 31, 2022 primarily due to lower expansion within existing customers driven by macroeconomic pressures. 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 Income (Loss) From Operations and Non-GAAP Net Income (Loss)***

We define non-GAAP income (loss) from operations as 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 income (loss) as 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 loss from operations to our non-GAAP income (loss) from operations and our GAAP net loss to our non-GAAP net income (loss) for each of the periods presented (in thousands):

*Non-GAAP Income (Loss) from Operations*

	Three Months Ended March 31,	
	2023	2022
Loss from operations	\$ (48,107)	\$ (47,124)
Non-GAAP adjustments:		
Stock-based compensation expense	50,694	46,625
Employer payroll taxes on employee stock transactions	1,041	(692)
Amortization of acquired intangibles	257	624
Non-GAAP income (loss) from operations	<u>\$ 3,885</u>	<u>\$ (567)</u>

*Non-GAAP Net Income (Loss)*

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (42,664)	\$ (49,059)
Non-GAAP adjustments:		
Stock-based compensation expense	50,694	46,625
Employer payroll taxes on employee stock transactions	1,041	(692)
Amortization of acquired intangibles	257	624
Income tax adjustments	653	381
Non-GAAP net income (loss)	<u>\$ 9,981</u>	<u>\$ (2,121)</u>

**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 March 31,	
	2023	2022
Net cash provided by operating activities	\$ 11,504	\$ 1,355
Less:		
Purchases of property and equipment	(383)	(1,397)
Capitalized internal-use software	(2,025)	(1,344)
Free cash flow	<u>\$ 9,096</u>	<u>\$ (1,386)</u>
Net cash provided by (used in) investing activities	<u>\$ 41,336</u>	<u>\$ (25,646)</u>
Net cash used in financing activities	<u>\$ (12,428)</u>	<u>\$ (120,029)</u>

## 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 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 these expenses.

*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, retention efforts and in-person marketing events and associated business travel. As a result, we expect that our sales and marketing expenses will 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 these expenses.

*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 to increase personnel-related and professional service expenses associated with ongoing compliance and reporting obligations and costs to broaden our IT related infrastructure. Our general and administrative expenses are expected to continue to increase in dollar amount for the foreseeable future, however, we expect it to decline as a percentage of revenue over the longer term. This percentage may fluctuate from period to period depending upon the timing and amount of our general and administrative expenses.

#### ***Interest and Other (Expense) Income, Net***

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

#### ***Provision for (Benefit from) Income Taxes***

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

## Results of Operations

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

	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 137,692	\$ 114,637
Cost of revenue <sup>(1)</sup>	25,236	22,395
Gross profit	112,456	92,242
Operating expenses:		
Research and development <sup>(1)</sup>	32,857	30,717
Sales and marketing <sup>(1)</sup>	86,810	71,466
General and administrative <sup>(1)</sup>	40,896	37,183
Total operating expenses	160,563	139,366
Loss from operations	(48,107)	(47,124)
Interest and other income, net	9,479	602
Loss before income taxes	(38,628)	(46,522)
Provision for income taxes	4,036	2,537
Net loss	\$ (42,664)	\$ (49,059)

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

	Three Months Ended March 31,	
	2023	2022
Cost of revenue	\$ 1,696	\$ 1,526
Research and development	8,979	8,309
Sales and marketing <sup>(2)</sup>	15,756	12,536
General and administrative <sup>(3)</sup>	24,263	24,254
Total stock-based compensation expense	\$ 50,694	\$ 46,625

(2) Sales and marketing expense for the three months ended March 31, 2023 includes \$2.4 million of stock-based compensation expense related to RSUs, options and ESPP purchase rights granted to our President.

(3) General and administrative expense includes \$13.8 million and \$13.8 million of stock-based compensation expense associated with RSUs and PRSUs primarily granted to our CEO in September 2021 for three months ended March 31, 2023 and 2022, 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 March 31,	
	2023	2022
Revenue	100 %	100 %
Cost of revenue	18	20
Gross profit	82	80
Operating expense:		
Research and development	24	27
Sales and marketing	63	62
General administrative	30	32
Total operating expenses	117	121
Loss from operations	(35)	(41)
Interest and other income, net	7	—
Loss before income taxes	(28)	(41)
Provision for income taxes	3	2
Net loss	(31)%	(43)%

### Comparison of the Three Months Ended March 31, 2023 and 2022

#### Revenue

	Three Months Ended March 31,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Subscription services	\$ 134,023	\$ 111,397	\$ 22,626	20 %
Professional services	3,669	3,240	429	13 %
Total revenue	\$ 137,692	\$ 114,637	\$ 23,055	20 %

Revenue increased by \$23.1 million, or 20%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Of the total increase in revenue, approximately \$7.4 million was attributable to revenue from existing customers as of March 31, 2022, net of contraction and churn, and approximately \$15.7 million was attributable to revenue from new customers acquired during the twelve months ended March 31, 2023, net of contraction and churn. Our net dollar retention rate of 107% as of March 31, 2023 reflects the expansion within existing customers and the sale of additional products to these customers. However, our net dollar retention rate decreased from 115% as of March 31, 2022 primarily due to relatively lower expansion within existing customers driven by macroeconomic pressures. The majority of our revenue continues to be generated from subscription services.

#### Cost of Revenue and Gross Margin

	Three Months Ended March 31,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Cost of revenue	\$ 25,236	\$ 22,395	\$ 2,841	13 %
Gross Margin	82 %	80 %		

Cost of revenue increased by \$2.8 million, or 13%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This was primarily due to increases of \$1.2 million in third-party hosting costs, \$0.8 million in personnel-related costs due to annual compensation adjustments and higher headcount, and \$0.5 million in software license fees. Our gross margin increased to 82% for the three months ended March 31, 2023 from 80% in the same period of the prior year, as we increased our revenue and continue to realize benefits from economies of scale and due to ongoing initiatives to improve our cost structure.

### Operating Expenses

	Three Months Ended March 31,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Research and development	\$ 32,857	\$ 30,717	\$ 2,140	7 %
Sales and marketing	86,810	71,466	15,344	21 %
General and administrative	40,896	37,183	3,713	10 %
Total operating expenses	\$ 160,563	\$ 139,366	\$ 21,197	15 %

The increase in our operating expenses in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, was primarily driven by an increase in personnel-related costs, including stock-based compensation, due to annual compensation adjustments and higher headcount to support the growth of our business.

#### Research and Development

Research and development expense increased by \$2.1 million, or 7%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This was primarily driven by increases of \$1.6 million in personnel-related costs and \$0.7 million in stock-based compensation expense; partially offset by a decrease of \$0.6 million in professional services fees.

#### Sales and Marketing

Sales and marketing expense increased by \$15.3 million, or 21%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This was primarily driven by increases of \$12.7 million in personnel-related costs, \$3.2 million in stock-based compensation expense, \$1.1 million in travel related expenses and \$0.4 million in rent; partially offset by decreases of \$1.9 million in advertising, marketing and branding expenses, and \$0.6 million in reseller commissions.

#### General and Administrative

General and administrative expense increased by \$3.7 million, or 10%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This was primarily driven by increases of \$2.5 million in personnel-related costs, \$1.2 million in professional services fees, comprised primarily of legal, accounting and consulting fees, and \$0.4 million in software license fees; partially offset by a decrease of \$0.9 million in directors and officers' insurance.

### Interest and Other (Expense) Income, Net

	Three Months Ended March 31,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Interest income	\$ 9,270	\$ 806	\$ 8,464	1050 %
Other income (expense), net	209	(204)	413	(202)%
Interest and other income, net	\$ 9,479	\$ 602	\$ 8,877	1475 %

Interest income increased \$8.5 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to higher interest income earned on higher balances maintained in our marketable securities portfolios and due to timing of investments.

Other income (expense), net increased by \$0.4 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 primarily due to a favorable foreign exchange movement in the U.S. dollar.

#### **Provision for Income Taxes**

	Three Months Ended March 31,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Provision for income taxes	\$ 4,036	\$ 2,537	\$ 1,499	59 %

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the three months ended March 31, 2023 and 2022, we recorded a provision for income taxes of \$4.0 million and \$2.5 million on loss before taxes of \$38.6 million and \$46.5 million, respectively. The increase in provision for income taxes during the three months ended March 31, 2023 was primarily due to an increase in profit before tax in foreign jurisdictions.

#### **Liquidity and Capital Resources**

As of March 31, 2023, we had cash and cash equivalents of \$344.5 million and marketable securities of \$806.1 million. Our marketable securities consist primarily of U.S. treasury securities, U.S. government agency securities, corporate debt securities, and mutual funds.

Since inception, we have funded our operations primarily with financing through the issuance of redeemable convertible preferred and common stock to investors. In September 2021, we completed our IPO that generated net proceeds of approximately \$1.1 billion. As of March 31, 2023, we had an accumulated deficit of \$3.5 billion. Our operating activities resulted in cash inflows of \$11.5 million for the three months ended March 31, 2023.

Our other material cash requirements are related to the settlement of future contractual obligations associated with 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 equivalents 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):

	Three Months Ended March 31,	
	2022	2021
Net cash provided by operating activities	\$ 11,504	\$ 1,355
Net cash provided by (used in) investing activities	41,336	(25,646)
Net cash used in financing activities	(12,428)	(120,029)

#### ***Cash Flows from Operating Activities***

Net cash provided by operating activities of \$11.5 million for the three months ended March 31, 2023 reflects our net loss of \$42.7 million, adjusted for non-cash items such as stock-based compensation of \$50.7 million, amortization of deferred contract acquisition costs of \$5.6 million, depreciation and amortization of \$3.1 million, non-cash lease expense of \$1.9 million; offset by \$3.5 million from discount amortization of marketable securities and net cash outflows of \$3.8 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 \$5.6 million in deferred contract acquisition costs, \$7.2 million in prepaid expenses and other assets and \$2.5 million in accounts receivable; and a decrease in operating liabilities of lease liabilities of \$1.5 million in lease liabilities, \$1.5 million in accounts payable and \$0.4 million in accrued and other liabilities; offset by increases in operating liabilities of \$14.9 million in deferred revenue.

Net cash provided by operating activities of \$1.4 million for the three months ended March 31, 2022 reflects our net loss of \$49.1 million, adjusted for non-cash items such as stock-based compensation of \$46.6 million, non-cash lease expense of \$1.4 million, deferred income taxes of \$0.3 million, depreciation and amortization of \$3.0 million, amortization of deferred contract acquisition costs of \$4.3 million, and net cash outflows of \$6.6 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 \$8.7 million in prepaid expenses and other assets and \$5.6 million in deferred contract acquisition costs; and decreases in operating liabilities of \$5.0 million in accrued and other liabilities, \$2.7 million in operating lease liabilities, and \$2.1 million in accounts payable; offset by an increase of \$14.2 million in deferred revenue and decrease of \$3.2 million in accounts receivable.

#### ***Cash Flows from Investing Activities***

Net cash provided by investing activities of \$41.3 million for the three months ended March 31, 2023 consisted of \$43.7 million in proceeds from maturities and sales, net of purchases of marketable securities; offset by \$0.4 million in purchases of property and equipment, and \$2.0 million in capitalized internal-use software.

Net cash used in investing activities of \$25.6 million for the three months ended March 31, 2022 consisted of \$22.9 million in purchases of marketable securities, net of proceeds from maturities and sales, \$1.4 million in purchases of property and equipment, and \$1.3 million in capitalized internal-use software.

#### ***Cash Flows from Financing Activities***

Net cash used in financing activities of \$12.4 million for the three months ended March 31, 2023 consisted of \$12.4 million in payment of withholding taxes on net share settlement of equity awards.

Net cash used in financing activities of \$120.0 million for the three months ended March 31, 2022 consisted primarily of \$119.9 million in payment of withholding taxes on net share settlement of equity awards. 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, partially offset by \$0.1 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 March 31, 2023, remaining performance obligations totaled \$325.6 million, which comprised \$220.6 million of deferred revenue and \$105.0 million of unbilled revenue.

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 March 31, 2023, our estimated future contractual obligations totaled \$126.4 million, of which \$33.4 million and \$93.0 million were operating lease commitments and other contractual obligations, respectively. See Note 6 - Leases and Note 7 - 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 three months ended March 31, 2023 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, 2023.

### **Recent Accounting Pronouncements**

See Note 1—Business, Basis of Presentation 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. The majority of our sales is derived in U.S. dollars. 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.

To reduce the risk that our earnings and cash flows will be adversely affected by changes in exchange rates, we entered into foreign exchange forward contracts to hedge a portion of our forecasted foreign currency expenses denominated in Indian Rupee. Gains or losses on these contracts are generally recognized in income at the time the related transactions being hedged are recognized. As of March 31, 2023, the total notional amount of outstanding designated foreign currency forward contracts was \$22.3 million. The fair value of derivative assets and liabilities as of March 31, 2023, and all related unrealized and realized gains and losses during the three months ended March 31, 2023 were not material.

We do not use foreign exchange contracts for speculative trading purposes and we may enter into other hedging transactions in the future if our exposure to foreign currency becomes more significant. We monitor our exposures in other currencies and assess the need to utilize financial instruments to hedge currency exposures on an ongoing basis.

Based on a sensitivity analysis we have performed as of March 31, 2023, an adverse 10% foreign currency exchange rate change applied to total monetary assets and liabilities denominated in currencies other than the U.S. dollar would not have a material effect on our financial statements.

#### *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 \$344.5 million and marketable securities of \$806.1 million as of March 31, 2023. 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 March 31, 2023, a hypothetical 100 basis points favorable or adverse movement in interest rates would not have a material effect in the combined market value of our cash, cash equivalents and marketable securities.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### ***Evaluation of Disclosure Controls and Procedures***

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

##### ***Changes in Internal Control over Financial Reporting***

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

##### ***Inherent Limitations on Effectiveness of Controls***

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

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

On November 1, 2022, a purported Company stockholder filed a securities class action complaint in the U.S. District Court for the Northern District of California against us, certain of our current officers and directors, and underwriters of the IPO. On April 14, 2023, the court appointed lead plaintiff filed a consolidated amended class action complaint. The complaint alleges that defendants violated Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 by making material misstatements or omissions in offering documents filed in connection with the IPO. The complaint seeks unspecified damages, interest, fees, costs, and rescission on behalf of purchasers and/or acquirers of common stock issued in the IPO. We and the other defendants intend to vigorously defend against the claims in this action.

On March 20, 2023, a purported stockholder derivative complaint was filed in the U.S. District Court for the Northern District of California. The complaint names as defendants our current directors, as well as Freshworks as nominal defendant, and asserts state and federal claims based on some of the same alleged misstatements as the securities class action complaint. The derivative complaint seeks unspecified damages, attorneys' fees, and other costs. We and the other defendants intend to vigorously defend against the claims in this action.

In addition, 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 described below, as well as the other information in this Quarterly Report on Form 10-Q, including our consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations, and growth prospects. You should not interpret our disclosure of any of the following risks to imply that such risks have not already materialized.*

*We have marked with an asterisk (\*) those risks described below that reflect substantive changes from, or additions to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2022.*

#### **Risk Factors Summary**

Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky:

- We have a history of losses, and we may not be able to achieve profitability or, if achieved, sustain profitability.
- We have experienced rapid growth in recent periods, and our recent growth rates may not be indicative of our future growth.
- We have a limited operating history at our current scale, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.



- We track certain key business metrics, which are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and materially adversely affect our stock price, business, results of operations, and financial condition.
- We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability.
- Our quarterly results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts.
- If we are unable to attract new customers, convert customers using our trial versions into paying customers, and expand usage of our products within or across organizations, our revenue growth would be harmed.
- Our ability to attract new customers and increase revenue from existing customers depends on our ability to develop new features, integrations, capabilities, and enhancements and to partner with third parties to design complementary products.
- We recognize revenue over the term of our customer contracts. Consequently, downturns or upturns in new sales may not be immediately reflected in our operating results and may be difficult to discern.
- Our business depends substantially on our customers renewing their subscriptions and purchasing additional subscriptions from us. Any decline in our customer retention would harm our future operating results.
- Macroeconomic uncertainties, including inflationary pressures, supply chain disruptions, labor shortages, significant volatility in global markets, recession risks, and the COVID-19 pandemic have in the past and may continue to adversely affect our business, future results of operations, and financial condition, the effects of which remain uncertain.
- We operate in a highly competitive industry, and competition presents an ongoing threat to the success of our business.
- A substantial portion of our business and operations are located in India, and we are subject to regulatory, economic, social, and policy uncertainties in India. We are subject to various labor laws, regulations and standards. Those uncertainties and non-compliance with and changes in such laws may adversely affect our business, results of operations, and financial condition.
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including our executive officers, employees, and directors and their affiliates, and limiting your ability to influence corporate matters, which could adversely affect the trading price of our Class A common stock.

#### **Risks Related to Our Business**

##### ***We have a history of losses, and we may not be able to achieve profitability or, if achieved, sustain profitability.***

We have incurred net losses in each fiscal year since our founding. We generated net losses of \$232.1 million and \$192.0 million for the years ended December 31, 2022 and 2021, respectively, and \$42.7 million and \$49.1 million for the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, we had an accumulated deficit of \$3.5 billion. We do not expect to be profitable in the near future, and while we achieved profitability for one quarter in 2020, we cannot assure you that we will achieve profitability again in the future or that, if we do become profitable, we will sustain profitability. Any failure by us to achieve and sustain profitability could cause the value of our Class A common stock to decline. These losses reflect, among other things, the significant investments we made to develop and commercialize our products, serve our existing customers, and broaden our customer base.

As a result of expected investments and expenditures related to the growth of our business, we may experience increasing losses in future periods and these losses may be significantly greater than the losses we would incur if we developed our business more slowly. In addition, we may find that these efforts are more expensive than we currently anticipate or that they may not result in increases in our revenue.

***We have experienced rapid growth in recent periods, and our recent growth rates may not be indicative of our future growth.***

We have experienced rapid growth in recent periods. Even if our revenue continues to increase, our growth rate has in certain periods declined and we expect that our revenue growth rate may decline in the future as a result of a variety of factors, including the maturation of our business. Our growth may continue to be impacted by macroeconomic factors beyond our control, including, but not limited to rising interest rates, foreign exchange rate volatility, COVID-19 pandemic related factors, global geopolitical uncertainties, and supply-chain issues. Further, as we operate in a rapidly changing industry, widespread acceptance and use of our products are critical to our future growth and success. We believe our revenue growth depends on a number of factors, including, but not limited to, our ability to:

- attract new customers;
- grow or maintain our net dollar retention rate, expand usage within organizations, and sell additional subscriptions;
- gain continued acceptance and use of our products both inside and outside of the United States;
- expand the features and capabilities of our products;
- provide excellent customer experience and customer service;
- price our subscription plans effectively;
- continue to successfully expand our sales force;
- maintain the security and reliability of our products;
- successfully compete against and withstand competitive pressure from established companies and new market entrants;
- increase awareness of our brand on a global basis; and
- comply with existing and new applicable laws and regulations.

We may not successfully accomplish any of these objectives, and as a result, it is difficult for us to forecast our future results of operations. If we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve (or, if achieved, maintain) profitability. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth.

In addition, in order to fuel our growth, we expect to continue to expend substantial financial and other resources on:

- expansion and enablement of our sales, services, and marketing organization to increase brand awareness and drive adoption of our products;
- product development, including investments in our product development team and the development of new products and new features and functionality, as well as investments in further differentiating our existing offerings;
- strategic technology and sales channel partnerships;

- acquisitions or strategic investments; and
- general administration, including legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue in our business. If we are unable to maintain or increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position, and results of operations will be harmed, and we may not be able to achieve or maintain profitability. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, and other unknown factors that may result in losses in future periods. If our revenue does not meet our expectations in future periods, our business, financial position, and results of operations may be harmed.

***We have a limited operating history at our current scale, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.***

We have been growing rapidly in recent periods and, as a result, have a relatively short history operating our business at its current scale. The growth and expansion of our business and products may place a significant strain on our management and our operational and financial resources. As we grow and expand, we will need to continue to successfully manage a variety of relationships with partners, customers, and other third parties. We must continue to improve and expand our information technology (IT) and financial infrastructure, our security and compliance requirements, our operating and administrative systems, our relationships with various partners and other third parties, and our ability to manage headcount and processes in an efficient manner to manage our growth effectively.

Furthermore, we operate in an industry that is characterized by rapid technological innovation, intense competition, changing customer needs, and frequent introductions of new products, technologies, and services. We may not be able to sustain the pace of improvements to our products successfully or implement systems, processes, and controls in an efficient or timely manner or in a manner that does not negatively affect our results of operations. Our failure to improve our systems, processes, and controls, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business, forecast our revenue, expenses, and earnings accurately, or prevent losses.

We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in evolving industries. In addition, our future growth rate is subject to a number of uncertainties, such as general economic and market conditions. In particular, we have limited experience operating our business at its current scale under economic conditions characterized by high inflation or in recessionary or uncertain economic environments. If general economic and market conditions diminish the rate of global IT spending, small and mid-sized businesses (SMBs) that are our target customers may cease to operate, which could adversely affect demand for our products. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in the market, or if we do not address these risks successfully, our results of operations could differ materially from our expectations, and our business, results of operations, and financial condition would suffer.

***We track certain key business metrics, which are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and materially adversely affect our stock price, business, results of operations, and financial condition.***

We track certain key business metrics that may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools are subject to a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. For example, our designations of customers as “small- and mid-sized businesses,” “mid-market,” or “enterprise” are based on third-party reporting which may be inaccurate. In addition, our estimates of number of total customers may be impacted by mergers or acquisitions of such customers or such customers purchasing our products via resellers. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring how our products are used across large populations globally.

Limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If our key business metrics are not accurate representations of our business, if we discover material inaccuracies with respect to these figures, or if investors perceive there to be inaccuracies, our stock price could decline, we may be, and currently are, subject to stockholder litigation, our reputation may be significantly harmed, and our business, results of operations, and financial condition could be materially adversely affected.

***We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability.***

A significant part of our business strategy and culture is to focus on long-term growth and customer success over short-term financial results. For example, in the year ended December 31, 2022, we increased our operating expenses to \$635.6 million as compared to \$497.8 million for the year ended December 31, 2021, while continuing to generate a net loss of \$232.1 million in the year ended December 31, 2022. We expect that we will continue to operate at a loss, and our profitability may be lower than it would be if our strategy were to maximize near-term profitability. If we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by securities or industry analysts and our stockholders, the trading price of our Class A common stock may decline.

***Our quarterly results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts.***

Our quarterly results of operations, including the levels of our revenue, deferred revenue, working capital, and cash flows, may vary significantly in the future, such that period-to-period comparisons of our results of operations may not be meaningful. Our quarterly financial results may fluctuate due to a variety of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- the level of demand for our products;
- our ability to grow or maintain our net dollar retention rate, expand usage within organizations, and sell subscriptions;
- the timing and success of new features, integrations, capabilities, and enhancements by us to our products, or by our competitors to their products, or any other changes in the competitive landscape of our market;
- our ability to achieve continued acceptance and use of our products;
- errors in our forecasting of the demand for our products, which would lead to lower revenue, increased costs, or both;
- the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and to remain competitive;
- the timing of expenses and recognition of revenue;
- security breaches, technical difficulties, or interruptions to our products;
- pricing pressure as a result of competition or otherwise;
- the continued ability to hire high quality and experienced talent in a fiercely competitive environment;
- the timing of the grant or vesting of equity awards to employees, directors, or consultants;
- seasonal buying patterns for software spending;
- declines or increases in the values of foreign currencies, primarily the Indian Rupee, British Pound, and Euro, relative to the U.S. dollar;

- changes in, and continuing uncertainty in relation to, the legislative or regulatory environment;
- legal and regulatory compliance costs in new and existing markets;
- costs and timing of expenses related to the potential acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- health epidemics, such as the COVID-19 pandemic, influenza, and other highly communicable diseases or viruses;
- adverse litigation judgments, other dispute-related settlement payments, or other litigation-related costs; and
- general economic conditions in either domestic or international markets, including inflationary pressures and geopolitical uncertainty and instability and their effects on software spending.

Any one or more of the factors above may result in significant fluctuations in our quarterly results of operations, which may negatively impact the trading price of our Class A common stock. You should not rely on our past results as an indicator of our future performance.

***If we are unable to attract new customers, convert customers using our trial versions into paying customers, and expand usage of our products within or across organizations, our revenue growth would be harmed.***

To increase our revenue and achieve profitability, we must increase our customer base through various methods, including, but not limited to, adding new customers, converting customers using our free trial versions into paying customers, and expanding usage across our existing customers' organizations. We encourage customers on our free trial version to upgrade to paid subscription plans and customers on our base level paid plans to upgrade to plans with more features and to incorporate add-ons. Additionally, we seek to expand within organizations by having organizations add new users, upgrade their plans, or expand their use of our products into other departments within the organization. While we have experienced significant growth in the number of customers on our products, we do not know whether we will continue to achieve similar customer growth rates in the future. Numerous factors may impede our ability to add new customers, convert customers using our free trial versions into paying customers, expand usage within organizations, and sell subscriptions to our products, including but not limited to, our failure to attract, retain, and effectively train and motivate new sales and marketing personnel, develop or expand relationships with our partners, compete effectively against alternative products or services, successfully deploy new features and integrations, provide a quality customer experience and customer support, or ensure the effectiveness of our marketing programs.

In addition, because many of our new customers originate from word-of-mouth and other non-paid referrals from existing customers, we must ensure that our existing customers continue using our products in order for us to benefit from those referrals.

***Our ability to attract new customers and increase revenue from existing customers depends on our ability to develop new features, integrations, capabilities, and enhancements, and to partner with third parties to design complementary products.***

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to continually enhance and improve our products and the features, integrations, and capabilities we offer, and to introduce compelling new features, integrations, and capabilities that reflect the changing nature of our market. Accordingly, we must continue to invest in research and development and in our ongoing efforts to improve and enhance our products. The success of any enhancement to our products depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies, and overall market acceptance. Any new features, integrations, and capabilities that we develop may not be introduced in a timely or cost-effective manner, may contain errors, failures, vulnerabilities, or bugs, or may not achieve the market acceptance necessary to generate significant revenue.

Additionally, we rely on third parties to develop products that are complementary to ours in order to retain existing customers and attract new customers. In order for such complementary products to enhance our customers' use of our products, we must maintain interoperability as described further below.

***We recognize revenue over the term of our customer contracts. Consequently, downturns or upturns in new sales may not be immediately reflected in our operating results and may be difficult to discern.***

We generally recognize subscription revenue from customers ratably over the terms of their contracts, and a majority of our revenue is derived from subscriptions that have terms longer than one month. As a result, a portion of the revenue we report each quarter is derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions with terms that are longer than one month in any single quarter may have a small impact on our revenue for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our products, and potential changes in our pricing policies or rate of expansion or retention, may not be fully reflected in our results of operations until future periods. We may also be unable to reduce our operating expenses in a timely fashion if our revenues were to significantly decline. In addition, because we believe a substantial percentage of subscriptions to our products are shorter than many comparable SaaS companies and because we have many variations of billing cycles, our deferred revenue may be a less meaningful indicator of our future financial results as compared to other SaaS companies. A significant portion of our costs are expensed as incurred, while revenue is recognized over the life of the agreement with the applicable customer.

***Our business depends substantially on our customers renewing their subscriptions and purchasing additional subscriptions from us. Any decline in our customer retention would harm our future operating results.***

Our business is subscription based, and customers are not obligated to and may not renew their subscriptions after their existing subscriptions expire. In order for us to maintain or improve our operating results, it is important that our customers renew their subscriptions when the initial contract term expires and add additional users to their subscriptions. Our customers have no obligation to renew their subscriptions, and we cannot ensure that customers will renew subscriptions with a similar contract period, with the same or greater number of users, or for the same or upgraded level of subscription plan. Customers may or may not renew their subscription plans as a result of a number of factors, including their satisfaction or dissatisfaction with our products, our pricing or pricing structure, the pricing or capabilities of the products and services offered by our competitors, the effects of general economic conditions, inflation, or customers' budgetary constraints. If customers do not renew their subscriptions, renew on less favorable terms, or fail to add more users, or if we fail to upgrade trial customers to our paid subscription plans, or expand the adoption of our products within and across organizations, our revenue may decline or grow less quickly than anticipated, which would harm our business, results of operations, and financial condition. We have also experienced and may experience in the future a reduction in renewal rates and increased churn rates, particularly within our SMB customers, many of whom are on month-to-month subscriptions, as well as reduced customer spend and delayed payments that could materially impact our business, results of operations, and financial condition in future periods. If we fail to predict customer demands or fail to attract new customers and maintain and expand new and existing customer relationships, our revenue may grow more slowly than expected, may not grow at all, or may decline, and our business may be harmed.

***Macroeconomic uncertainties, including inflationary pressures, supply chain disruptions, labor shortages, significant volatility in global markets, recession risks, and the COVID-19 pandemic have in the past and may continue to adversely affect our business, future results of operations, and financial condition, the effects of which remain uncertain.***

Global economic and business activities continue to face widespread macroeconomic uncertainties, including inflation, supply chain disruptions, labor shortages, as well as recession risks, which may continue for an extended period and which could result in decreased business spending by our customers and prospective customers and business partners and third-party business partners, reduced demand for our products, lower renewal rates by our customers, longer or delayed sales cycles, including customers and prospective customers delaying contracts, entering into new subscriptions, renewing existing subscriptions, or reducing budgets related to the products that we offer, all of which could have an adverse impact on our business operations and financial condition.

In addition, the mitigation measures we have taken in responses to the COVID-19 pandemic have represented a significant disruption in how we operate our business, including a loss of productivity both in the United States and in India, where we have significant operations. The operations of our partners, vendors, and customers have likewise been disrupted. While our offices are now reopened, many of our employees who were hired remotely during the pandemic continue to work remotely and others are working on a hybrid basis. We do not currently have visibility on whether we may return to normal operations of having everyone work in office on a full-time basis. Our efforts to keep our offices open safely may not be successful and could expose our employees to health risks. If there are further waves or variants of the virus, we may need to further modify our business practices in a manner that may impact our business. If our employees are not able to perform their job duties due to illness or are unable to perform them as efficiently at home for an extended period of time, we may not be able to deliver on our business priorities, and we may experience an overall lower productivity of our workforce.

The COVID-19 pandemic has already had an adverse effect on the global economy and our business. Actual and potential impacts include:

- an increase in certain prospective and current customers seeking lower prices or other more favorable contract terms and changes in the way we interact with our customers and prospective customers;
- the ability of our direct sales force to travel to customers and potential customers has been limited and we have altered, postponed, or canceled planned customer, employee, and industry events or shifted them to a virtual only format, and we may continue to do so;
- overall lower productivity of our workforce;
- slowdowns in the businesses of our existing and potential customers, which in turn could reduce the value or duration of subscriptions, negatively affect our collections of accounts receivable, reduce spending from our customers, cause some of our customers to go out of business, and increase contraction or attrition rates of our customers, all of which could adversely affect our business, results of operations, and financial condition; and
- extreme volatility in financial and other capital markets as a result of concerns over the economic impact of the COVID-19 pandemic, which have in the past and may in the future adversely affect our stock price and our ability to access capital markets.

We continue to monitor the impact of the COVID-19 pandemic and there may be additional costs or impacts to our business and operations, including in connection with returning to our offices, if we return to normal operations of having everyone work in office on a full-time basis. In addition, there is no guarantee that a future outbreak of this or any other widespread epidemics will not occur, or that the global economy will recover, either of which could seriously harm our business. The potential long-term impact of the COVID-19 pandemic or a similar health epidemic on our business, operations, or the global economy as a whole remains uncertain. Accordingly, it remains difficult for us to predict the duration and extent to which this will affect our business, including productivity of our employees in the United States and in India, future results of operations, and financial condition at this time.

To the extent that macroeconomic uncertainties and the COVID-19 pandemic continue to harm our business, many of the other risks described in these risk factors may be exacerbated including but not limited to, those relating to our ability to increase sales to existing and new customers, develop and deploy new offerings and applications and maintain effective marketing and sales capabilities.

***We operate in a highly competitive industry, and competition presents an ongoing threat to the success of our business.***

The market for customer experience (CX), IT service management (ITSM), and customer relationship management (CRM) products is rapidly evolving and increasingly competitive, fragmented, and subject to rapidly changing technology, shifting user and customer needs, new market entrants, and frequent introductions of new products and services. We compete with a significant number of companies that range in size from large and diversified enterprises with significant financial resources to smaller companies. These competitors have developed

or are developing products and services that currently, or in the future may, compete with some or all of our offerings.

Within CX, we primarily face competition from CX suites, such as Salesforce and Zendesk, and legacy vendors, such as Oracle and SAP. Within ITSM, we primarily face competition from traditional vendors, such as ServiceNow, BMC, Ivanti/Cherwell, and modern pure-play vendors, such as Atlassian. Within CRM, we primarily face competition from full-featured vendors, such as Salesforce, HubSpot, and Microsoft Dynamics, and legacy vendors, such as Oracle, SAP, and Sage.

Many of our current and potential competitors may have longer operating histories, greater brand name recognition, stronger and more extensive partner relationships, significantly greater financial, technical, marketing, and other resources, lower labor and development costs, and larger customer bases than we do. These competitors may invest and engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns, and adopt more aggressive pricing policies that will allow them to build larger customer bases than we have. Our competitors may also offer their products and services at a lower price, or may offer price concessions, delayed payment terms, financing terms, or other terms and conditions that are more enticing to potential customers.

The market for our products is rapidly evolving and highly competitive, with relatively low barriers to entry, and in the future there will likely be an increasing number of similar products offered by additional competitors. Large companies we do not currently consider to be competitors may enter the market, through acquisitions or through innovation and expansion of their existing products, to compete with us either directly or indirectly. Further, our potential and existing competitors may make acquisitions or enter into strategic relationships and rapidly acquire significant market share due to a larger customer base, superior product offerings, more effective sales and marketing operations, or greater financial, technical, and other resources.

Any one of these competitive pressures in our market, or our failure to compete effectively, may result in price reductions; fewer customers; reduced revenue, gross profit, and gross margin; increased net losses; and loss of market share. Any failure to meet and address these factors would harm our business, results of operations, and financial condition. Moreover, large customers may demand greater price concessions or other more favorable terms.

***Failure to effectively develop and expand our direct sales capabilities would harm our ability to expand usage of our products within our customer base and achieve broader market acceptance of our products.***

Our ability to expand usage of our products within our customer base and achieve broader market acceptance among organizations depends to an extent on our ability to expand our sales operations successfully, particularly our direct sales efforts targeted at broadening use of our products across departments and entire organizations. We plan to continue expanding our direct sales force, both domestically and internationally, to expand use of our products within our customer base and reach larger organizations. This expansion will require us to continue to invest significant financial and other resources to grow and train our direct sales force. Our business, results of operations, and financial condition will be harmed if these efforts do not generate a corresponding increase in revenue. We may not achieve anticipated revenue growth from expanding our direct sales force if we are unable to hire and develop talented direct sales personnel, if our new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if we are unable to retain our existing direct sales personnel. We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, training, and retaining a sufficient number of sales personnel to support our growth.

***If we are unable to develop and maintain successful relationships with channel partners, our business, operating results, and financial condition could be adversely affected.***

Our product-led sales growth has primarily depended on word-of-mouth, online marketing, and our direct sales force to sell subscriptions to our products. However, we believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with channel partners that can drive substantial additional revenue. While we have developed relationships with over 500 channel partners, our agreements with our existing channel partners are non-exclusive, so our channel partners may offer customers the products of several



different companies, including products that compete with ours. They may also cease marketing our products with limited or no notice and without penalty. We expect that any additional channel partners we identify and develop will be similarly non-exclusive and not bound by any requirement to continue to market our products. If we fail to identify additional channel partners in a timely and cost-effective manner, or at all, or are unable to assist our current and future channel partners in independently selling and deploying our products, our business, results of operations, and financial condition could be adversely affected. If our channel partners do not effectively market and sell our products, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be adversely affected.

***The failure to attract and retain additional qualified personnel or to maintain our company culture could harm our business and culture and prevent us from executing our business strategy and growth plans.***

Our success depends largely upon the continued services and performance of our senior management and other key personnel. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. Our senior management and key employees are employed on an at-will basis. We currently do not have “key person” insurance on any of our employees. The loss of key personnel may cause disruptions in, and harm to, our operations and have an adverse effect on our ability to grow our business and our results of operations and financial condition.

In addition, to execute our business model, we must attract and retain highly qualified personnel. Competition for executive officers, software engineers, sales personnel, and other key personnel in our industry and in the San Francisco Bay Area, where our headquarters is located, in India where our engineering, product, and inside sales resources are concentrated, and in other locations where we maintain offices, is intense. As we become a more mature company, we may find our recruiting efforts more challenging. The incentives to attract, retain, and motivate employees provided by our equity awards, or by other compensation arrangements, may not be as effective as in the past.

Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, to remain competitive in India, we must maintain our reputation as a premier employer in India, including by providing competitive wages and benefits. Our recruiting efforts may also be limited by laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of visas. Furthermore, any actual or perceived decline in the value of our equity awards as a result of volatility in our stock price could harm our hiring and retention efforts. If we do not succeed in attracting highly qualified personnel or retaining or motivating existing personnel, we may be unable to support our continued growth.

We believe that a critical component of our success has been our culture. We have invested substantial time and resources in building out our team with an emphasis on shared values and a commitment to diversity and inclusion. As we continue to develop the infrastructure to support our growth, we will need to maintain our culture among a larger number of employees dispersed in various geographic regions, including those who may be working remotely outside of an office environment. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel.

***If our sites, networks, and systems, or those of third parties upon which we rely, are or were to experience security incidents or breaches affecting our confidential information or the confidential information of our users, customers, or other third parties, we could experience damage to our reputation and brand, material harm to our business and results of operations, and other adverse consequences.\****

We collect, receive, access, store, process, generate, use, transfer, disclose, share, make accessible, protect, secure, and dispose of (collectively, Process or Processing) a large amount of information from our users, customers, and our own employees, including personally identifiable and other sensitive and confidential information necessary to operate our business, for legal and marketing purposes, and for other business-related purposes. We rely on IT networks and systems (some of which are managed or operated by third-party service providers) to Process such data, and this data is often accessed through transmissions over public and private networks, including the internet. These IT networks and systems, and the Processing they perform, may be susceptible to damage, disruptions, or shutdowns, software or hardware vulnerabilities, security incidents, ransomware attacks, social engineering attacks

(including phishing), supply-chain attacks, failures during the process of upgrading or replacing software, databases, or components, power outages, fires, natural disasters, hardware failures, computer viruses (such as worms, spyware, or other malware), denial-of-service attacks, credential harvesting or stuffing, attacks by computer hackers, telecommunication failures, user errors (including non-employees who may have authorized access to our networks), user malfeasance, or catastrophic events. We and our third-party service providers are also subject to system malfunctions, natural disasters, public health epidemics (such as the COVID-19 pandemic), war or military conflicts (such as the conflict between Russia and Ukraine), telecommunication and electrical failures. While we have implemented security measures, technical controls, and contractual precautions designed to identify, detect, and prevent unauthorized Processing of data, our security measures, as well as those of our third-party service providers, could fail or may be insufficient, resulting in the unauthorized access to or the disclosure, modification, misuse, unavailability, destruction, or loss of our or our customers' data or other sensitive information. Ransomware attacks in particular are becoming increasingly prevalent and severe, and can lead to significant interruptions in operations, loss of sensitive data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the potential financial, operational, and reputational impact of a ransomware attack, but we may be unwilling or unable to do so (including, for example, if applicable laws or regulations prohibit such payments). Similarly, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties in our supply chain have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our platform, systems and networks or the systems and networks of third parties that support us and our services. Security breaches, material disruptions of, or damage to, our operational systems, physical facilities, or Processing activities, or the systems of our third-party partners, or the perception that any of the foregoing have occurred, could result in a loss of customer confidence in the security of our platform and damage to our brand, reduce the demand for our offerings, disrupt business operations, result in the exfiltration of proprietary data, including source code, require us to spend material resources to investigate or correct the breach and to prevent future security breaches and incidents, expose us to legal liabilities, including litigation, regulatory enforcement and indemnity obligations, claims by our customers or other relevant parties that we have failed to comply with contractual obligations (e.g. to implement specified security measures), and adversely affect our business, financial condition, and results of operations.

Despite our efforts to maintain the security, privacy, integrity, confidentiality, availability, and authenticity of our Processing, information, and IT networks and systems, we or our third-party vendors have not in the past and may not in the future be able to anticipate or implement effective preventive and remedial measures against all data security and privacy threats. No security solution, strategy, or measures can address all possible security threats or block all methods of penetrating a network or otherwise perpetrating a security incident. For example, we and our third-party providers have been in the past and may in the future be compromised by threats like those described above, and result in unauthorized, unlawful, or accidental Processing of our information, or vulnerabilities in the products or systems upon which we rely. The risk of unauthorized circumvention of our security measures or those of our third-party providers, customers, and partners has been heightened by advances in computer and software capabilities and the increasing sophistication of hackers who employ complex techniques. Because the techniques used by hackers change frequently, we may be unable to anticipate these techniques or implement adequate preventive measures to protect against them. Our applications, systems, networks, software, and physical facilities could have material vulnerabilities, be breached, or personal or confidential information could be otherwise compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our personnel or our customers to disclose information or usernames and/or passwords, or otherwise compromise the security of our networks, systems, and/or physical facilities. Third parties may also exploit vulnerabilities in, or obtain unauthorized access to, platforms, software, applications, systems, networks, sensitive information, and/or physical facilities utilized by our vendors.

Following a breach of security or other incident, we cannot guarantee that recovery protocols and backup systems will be sufficient to prevent data loss or ensure that we are able to recover promptly any data rendered inaccessible. Additionally, breaches of security or other incidents can damage our reputation and brand, cause our business to suffer, and could require us to expend significant capital and other resources to alleviate problems caused by such breaches or incidents, and we could be exposed to risk of loss, litigation, or regulatory action, and other potential liability. Actual or perceived security breaches or attacks on our systems or those of our third-party service providers can cause us to incur increasing costs, including costs to deploy additional personnel and protection

technologies, train employees, and engage third-party experts and consultants and may require notification under applicable data privacy regulations or contractual obligations, or for customer relations or publicity purposes, which could result in additional reputational harm, costly litigation (including class action litigation), material contract breaches, liability, settlement costs, loss of sales, regulatory scrutiny, actions or investigations, a loss of confidence in our business, systems and Processing, a diversion of management's time and attention, and significant fines, penalties, assessments, fees, and expenses. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. We continue to devote significant resources to protect against security breaches or other incidents, and we may need to devote significant resources in the future to address problems caused by breaches, including notifying affected customers and responding to any resulting litigation, which in turn, diverts resources from the growth and expansion of our business.

Actual or anticipated security breaches, including a breach of the systems or networks of our third-party providers, could compromise our systems or networks, creating system outages, disruptions or slowdowns and exploiting security vulnerabilities of our networks. In addition, the information stored on our network, or the networks of our third-party providers could be accessed, publicly disclosed, altered, lost or stolen, which could subject us to liability and cause us financial harm. A breach of the security measures of one of our third-party providers could result in the destruction, modification or exfiltration of confidential corporate information or other data that may provide additional avenues of attack. Breaches or perceived breaches of our systems or networks or the systems or networks of our third-party providers, whether or not any such breach is due to a vulnerability in our platform, may also undermine confidence in us or our industry and result in damage to our reputation, negative publicity, loss of users, partners and sales, increased remediation costs, and costly litigation or regulatory fines. The costs to respond to a security breach and/or to mitigate any security vulnerabilities that may be identified could be significant, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service, and other harm to our business and our competitive position. We could be required to fundamentally change our business activities and practices in response to a security breach or incident, or related regulatory actions or litigation, which could have an adverse effect on our business. We may not have adequate insurance coverage for security incidents or breaches, including fines, judgments, settlements, penalties, costs, attorney fees, and other impacts that arise out of incidents or breaches. If the impacts of a security incident or breach, or the successful assertion of one or more large claims against us exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), it could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage, cyber coverage, and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to all or part of any future claim or loss (including, for example, as a result of the payment of ransomware) or that our insurance premiums will not increase as a result of any claims. Our risks are likely to increase as we continue to expand, grow our customer base, and Process increasingly large amounts of proprietary and sensitive data.

Additionally, policing unauthorized use of our know-how, technology and intellectual property is difficult and may not be effective. Despite our precautions, it may be possible for unauthorized third parties to copy our platform or technology and use information that we regard as proprietary to create products or services that compete with our offerings. Some of the provisions of our agreements that protect us against unauthorized use, copying, transfer and disclosure of our platform may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to ours. We cannot guarantee that others will not independently develop technology with the same or similar functions to any proprietary technology we rely on to conduct our business and differentiate ourselves from our competitors. Unauthorized parties may also attempt to copy or obtain and use our technology to develop applications with the same functionality as our solutions. Any unauthorized disclosure or use of our trade secrets or other confidential proprietary information could make it more expensive to do business, thereby harming our operating results.

***If we fail to manage our technical operations infrastructure, or experience service outages, interruptions, or delays in the deployment of our products, our results of operations may be harmed.***

We may experience system slowdowns and interruptions from time to time. In addition, continued growth in our customer base could place additional demands on our products and could cause or exacerbate slowdowns or interrupt the availability of our products. If there is a substantial increase in the volume of usage of our products, we will be required to further expand and upgrade our technology and infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our products or expand and upgrade our systems and infrastructure to accommodate such increases on a timely basis. In such cases, if our users are not able to access our products or encounter slowdowns when doing so, we may lose customers or partners. Some of our subscriptions include standard service-level commitments. If we are unable to meet the stated service-level commitments, including failing to meet the uptime and delivery requirements under our customer subscription agreements, we may be obligated to provide these customers with service credits which could significantly affect our revenue in the periods in which the uptime or delivery failure occurs and the credits are applied. Additionally, we could also face subscription terminations, which could significantly affect both our current and future revenue. Any service-level failures could also damage our reputation, which could also adversely affect our business and results of operations. Our disaster recovery plan may not be sufficient to address all aspects or any unanticipated consequence or incidents, and our insurance may not be sufficient to compensate us for the losses that could occur.

Moreover, Amazon Web Services (AWS) provides the vast majority of our cloud computing infrastructure that we use to host our products, mobile applications, and many of the internal tools we use to operate our business. We have a long-term commitment with AWS pursuant to a commercial agreement, and our products, mobile applications, and internal tools use computing, storage capabilities, bandwidth, and other services provided by AWS. Our commercial agreement with AWS will remain in effect until terminated by AWS or us. We may terminate the agreement for convenience by providing AWS prior written notice, and AWS may terminate the agreement for convenience by providing at least two years' prior written notice. Either party may terminate the agreement for cause upon a breach of the agreement, subject to such terminating party providing prior written notice and a 30-day cure period. AWS may also terminate the agreement for cause (i) if our products pose certain security or liability risks, subject to AWS providing prior written notice and a 90-day cure period or (ii) in order to comply with applicable law or requirements of government entities, subject to AWS providing prior written notice and a 30-day cure period. Any significant disruption of, limitation of our access to, or other interference with our use of AWS would negatively affect our operations and could seriously harm our business. In addition, any transition of the cloud services currently provided by AWS to another cloud services provider would require significant time and expense and could disrupt or degrade delivery of our products. Our business relies on the availability of our products for our users and customers, and we may lose users or customers if they are not able to access our products or encounter difficulties in doing so. The level of service provided by AWS could affect the availability or speed of our products, which may also impact the usage of, and our customers' satisfaction with, our products and could seriously harm our business and reputation. If AWS increases pricing terms, terminates or seeks to terminate our contractual relationship, establishes more favorable relationships with our competitors, or changes or interprets its terms of service or policies in a manner that is unfavorable with respect to us, our business, results of operations, and financial condition would be harmed.

In addition, we rely on hardware and infrastructure purchased or leased from third parties and software and SaaS products licensed from third parties to operate critical business functions. Our business would be disrupted if any of this third-party hardware, software, and infrastructure becomes unavailable on commercially reasonable terms, or at all. Furthermore, delays or complications with respect to the transition of critical business functions from one third-party product to another, or any errors or defects in third-party hardware, software, or infrastructure could result in errors or a failure of our products, which could harm our business and results of operations.

***If we are unable to ensure that our products interoperate with a variety of software applications that are developed by others, including our integration partners, we may become less competitive and our business, results of operations, and financial condition may be harmed.***

Our products integrate with a variety of hardware and software platforms and SaaS products and technologies, and we need to continuously modify and enhance our products to adapt to changes in hardware, software, and

browser technologies. In particular, we have developed our products to be able to easily integrate with third-party applications, including the applications of software providers (some of which compete with us) as well as our partners, through the interaction of APIs. In general, we rely on the providers of such software systems to allow us access to their APIs to enable these integrations. We are typically subject to standard terms and conditions of such providers, which govern the distribution, operation, and fees of such software systems, and which are subject to change by such providers from time to time. Our business will be harmed if any key provider of such software systems:

- discontinues or limits our access to its software or APIs;
- modifies its terms of service or other policies, including fees charged to, or other restrictions on, us or other application developers;
- changes how information is accessed by us or our customers;
- establishes more favorable relationships with one or more of our competitors; or
- develops or otherwise favors its own competitive offerings over our products.

Third-party services and products are constantly evolving, and we may not be able to modify our products to assure their compatibility with that of all other third parties. In addition, some of our competitors may be able to disrupt the operations or compatibility of our products with their products or services, or exert strong business influence on our ability to, and terms on which we, operate our products. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our products or gives preferential treatment to competitive products or services, whether to enhance their competitive position or for any other reason, the interoperability of our products with these products could decrease. If we are not permitted or able to integrate with these and other third-party applications in the future, our business, results of operations, and financial condition would be harmed.

Further, certain of our products include a mobile application to enable users to access our products through their mobile devices. If our mobile applications do not perform well, our business will suffer. In addition, our products interoperate with servers, mobile devices, and software applications predominantly through the use of protocols, many of which are created and maintained by third parties. We, therefore, depend on the interoperability of our products with such third-party services, mobile devices, and mobile operating systems, as well as cloud-enabled hardware, software, networking, browsers, database technologies, and protocols that we do not control. The loss of interoperability, whether due to actions of third parties or otherwise, and any changes in technologies that degrade the functionality of our products or give preferential treatment to competitive services could adversely affect adoption and usage of our products. Also, we may not be successful in developing or maintaining relationships with key participants in the mobile industry or in ensuring that we operate effectively with a range of operating systems, networks, devices, browsers, protocols, and standards. If we are unable to effectively anticipate and manage these risks, or if it is difficult for customers to access and use our products, our business, results of operations, and financial condition may be harmed.

***We rely on traditional web search engines to direct traffic to our website. If our website fails to rank prominently in unpaid search results, traffic to our website could decline and our business would be adversely affected.***

Our success depends in part on our ability to attract users through unpaid internet search results on traditional web search engines such as Google. The number of users we attract to our website from search engines is due in large part to how and where our website ranks in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies, or design layouts. As a result, links to our website may not be prominent enough to drive traffic to our website, and we may not know how or otherwise be in a position to influence the results. Any reduction in the number of users directed to our website could reduce our revenue or require us to increase our sales and marketing expenditures.

***We rely on third parties maintaining open digital marketplaces to distribute our mobile applications for our Freshdesk (Freshdesk Omnichannel Suite, Freshdesk Support Desk, Freshdesk Contact Center, Freshdesk Customer Success), Freshservice, Freshsales, Freshmarketer, Freshsales Suite, and Freshteam products. If such third parties interfere with the distribution of our mobile applications, our business would be adversely affected.***

We rely on third parties maintaining open digital marketplaces, including the Apple App Store and Google Play, which make our mobile applications for our Freshdesk (Freshdesk Omnichannel Suite, Freshdesk Support Desk, Freshdesk Contact Center, Freshdesk Customer Success), Freshservice, Freshsales, Freshmarketer, Freshsales Suite, and Freshteam products available for download. We cannot assure you that the marketplaces through which we distribute these mobile applications will maintain their current structures or that such marketplaces will not charge us fees to list our application for download. We are also dependent on these third-party marketplaces to enable us and our users to timely update these mobile applications, and to incorporate new features, integrations, and capabilities.

In addition, Apple and Google, among others, for competitive or other reasons, could stop allowing or supporting access to our mobile applications through their products, could allow access for us only at an unsustainable cost, or could make changes to the terms of access in order to make our mobile applications less desirable or harder to access.

***Real or perceived errors, failures, vulnerabilities, or bugs in our products would harm our business, results of operations, and financial condition.***

The software technology underlying and integrating with our products is inherently complex and may contain material defects or errors. Errors, failures, vulnerabilities, or bugs have in the past, and may in the future, occur in our products, especially when updates are deployed or new features, integrations, or capabilities are rolled out. Any such errors, failures, vulnerabilities, or bugs may not be found until after new features, integrations, or capabilities have been released. Furthermore, we will need to ensure that our products can scale to meet the evolving needs of customers, particularly as we increase our focus on larger teams and organizations. Real or perceived errors, failures, vulnerabilities, or bugs in our products could result in an interruption in the availability of our products, negative publicity, unfavorable user experience, loss or leaking of personal information and data of organizations, loss of or delay in market acceptance of our products, loss of competitive position, regulatory fines, or claims by organizations for losses sustained by them, all of which would harm our business, results of operations, and financial condition.

***If we experience excessive fraudulent activity, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.***

We currently accept payments using a variety of methods, including credit card and debit card, and a large number of our customers authorize us to bill their credit card accounts through our third-party payment processing partners for subscriptions to our products. We are subject to regulations and compliance requirements, such as the payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard (PCI-DSS) and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we (or a third-party processing payment card transactions on our behalf) suffer a security breach affecting payment card information, we may have to pay significant fines, penalties, and assessments arising out of the major card brands' rules and regulations, contractual indemnifications, or liability contained in merchant agreements and similar contracts, and we may lose our ability to accept payment cards for payment for our goods and services, which could materially impact our operations and financial performance.

If customers pay for their subscription plans with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed or be able to recover. Further, our customers provide us with credit card billing information online, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur chargebacks from the credit card companies for claims that the customer did not authorize the credit card transaction for subscription plans, something that we have experienced in the past. If the number of claims of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks, and we could lose the right to

accept credit cards for payment. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time. Our third-party payment processing partners must also maintain compliance with current and future merchant standards to accept credit cards as payment for our paid subscription plans. Substantial losses due to fraud or our inability to accept credit card payments would cause our customer base to significantly decrease and would harm our business.

***We employ a pricing model that subjects us to various challenges that could make it difficult for us to derive sufficient value from our customers particularly because we do not have the history with our subscription or pricing models that we need to accurately predict optimal pricing necessary to attract and retain customers.***

We generally charge our customers for their use of our products based on the number of users they enable as “agents” under their customer account, as well as the features and functionality enabled. The features and functionality we provide within our solutions enable our customers to promote customer self-service and otherwise efficiently and cost-effectively address product support requests without the need for substantial human interaction. As a result of these features, customer agent staffing requirements may be minimized, and our revenue may be decreased. Conversely, customers may overestimate their agent needs when they initially use our solutions, negatively affecting our ability to accurately forecast the number of agents our customers need in forward periods. We generally also require a separate subscription to enable the functionality of each of our products. We are continuing to analyze and improve our pricing and packaging models as we adapt to a changing market, but we do not know whether our current or potential customers or the market in general will accept changes to those models, and if it fails to gain acceptance, our business and results of operations could be harmed.

If we fail to find an optimal pricing strategy for our products, our business and results of operations may be harmed. If customers do not accept our new purchase plans, we may increasingly have difficulty in attracting new customers, as well as our ability to retain existing customers to the extent we apply new pricing models to existing customer subscriptions. Our pricing model may impact our customer’s pricing decisions and adoption of our subscription plans and negatively impact our overall revenue. In the future we may be required to reduce our prices or develop new pricing models, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

Finally, as the market for our products matures, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing models as we have used historically.

***We derive, and expect to continue to derive, substantially all of our revenue from a limited number of products.***

We derive, and expect to continue to derive, substantially all of our revenue from our Freshdesk, Freshservice, and Freshsales products. As such, the continued growth in market demand for and market acceptance of these products is critical to our continued success. Demand for our products is affected by a number of factors, some of which are beyond our control, such as the rate of adoption of our products within an organization, the timing of development and release of new products by our competitors; the development and acceptance of new features, integrations, and capabilities for our products; price, product, and service changes by us or our competitors; technological changes and developments within the markets we serve; growth, contraction, and rapid evolution of our market; and general economic conditions and trends. If we are unable to continue to meet the demands of users and customers to keep up with trends in preferences for CX, ITSM, or CRM products, or to achieve more widespread market acceptance of our products, our business, results of operations, and financial condition would be harmed. In addition, some current and potential customers, particularly larger organizations, may develop or acquire their own tools or continue to rely on traditional tools and software for their CX, ITSM, or CRM needs, which would reduce or eliminate their demand for our products. If demand for our products declines for any of these or other reasons, our business, results of operations, and financial condition would be adversely affected.

***Sales efforts to large customers involve risks that may not be present or that are present to a lesser extent with respect to sales to smaller organizations.***

Sales to large customers involve risks that may not be present or that are present to a lesser extent with sales to smaller organizations, such as longer sales cycles, more complex customer requirements, substantial upfront sales costs, and less predictability in completing some of our sales. For example, large customers may require considerable time to evaluate and test our products prior to making a purchase decision. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our products, the discretionary nature of purchasing and budget cycles, and the competitive nature of evaluation and purchasing approval processes. As a result, the length of our sales cycle, from identification of the opportunity to deal closure, may vary significantly from customer to customer, with sales to large enterprises typically taking longer to complete. Our typical sales cycle for mid-market and enterprise customers is approximately 90 days, as compared to 30 days for SMB customers. Moreover, large customers are often more demanding than other customers and begin to deploy our products on a limited basis but nevertheless require implementation services and negotiate pricing discounts or other onerous terms, which increase our upfront investment in the sales effort with no guarantee that sales to these customers will justify our substantial upfront investment, which can affect our roadmaps and deliverables. If we fail to effectively manage these risks associated with sales cycles and sales to large customers, our business, financial condition, and results of operations may be affected.

***Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of customers may be impaired, and our business and results of operations will be harmed.***

We believe that the brand identity that we have developed has significantly contributed to the success of our business with our existing customer base. We also believe that maintaining and enhancing the “Freshworks” brand is critical to expanding our customer base and establishing and maintaining relationships with partners. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to ensure that our products remain high-quality, reliable, and useful at competitive prices, as well as with respect to our free trial version. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not be successful. If we fail to promote and maintain the “Freshworks” brand, or if we incur excessive expenses in this effort, our business, results of operations, and financial condition would be adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become more difficult and expensive.

***If we fail to offer high-quality customer support, our business and reputation will suffer.***

While we have designed our products to be easy to adopt and use, once users and customers begin using our products, they rely on our support services to resolve any related issues. The importance of high-quality customer support will increase as we expand our business and pursue new customers. For instance, if we do not help organizations using our products quickly resolve issues, our reputation with existing or potential customers will be harmed. Further, our sales are highly dependent on our business reputation and on positive recommendations from existing customers using our products. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could harm our reputation, our ability to sell our products to existing and prospective customers, and our business, results of operations, and financial condition. Additionally, as we continue to expand, we will need to hire additional support personnel to provide efficient product support globally at scale. Any failure to provide such support could harm our reputation.

***We face exposure to foreign currency exchange rate fluctuations.***

While we have historically transacted in U.S. dollars with our customers and vendors, we have transacted in some foreign currencies with such parties and for our payroll in those foreign jurisdictions where we have operations, and expect to continue to transact in more foreign currencies in the future. We actively manage the exposure of our foreign currency risk pursuant to our foreign currency risk management policy, however these efforts may not be successful.



Fluctuations in the value of foreign currencies relative to the U.S. dollar, have in the past and may in the future continue to adversely affect our revenue, operating expenses and results of operations due to transactional and translational remeasurement that is reflected in our earnings. Specifically, our results of operations and cash flows are subject to currency fluctuations primarily in the Indian Rupee, British Pound and Euro against the U.S. dollar. These exposures may change over time as business practices evolve, economic and political conditions change and evolving tax regulations come into effect. Also, fluctuations in the values of foreign currencies relative to the U.S. dollar could make it more difficult to detect underlying trends in our business and results of operations. Additionally, global events as well as geopolitical developments, including Russia's recent invasion of Ukraine, fluctuating commodity prices, trade tariff developments and inflation have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which could amplify the volatility of currency fluctuations. Beginning in January 2023, we entered into foreign exchange forward contracts to hedge a portion of our forecasted foreign currency expenses denominated in Indian Rupee. Our hedging program is designed to reduce, but does not eliminate, the risk that our earnings and cash flows may be adversely affected by changes in exchange rates. We may enter into other hedging transactions in the future if our exposure to foreign currency becomes more significant.

***We Process business and personal information of our customers, suppliers, partners, consultants, leads and employees worldwide, which subjects us to stringent and changing laws, regulations, industry standards, information security policies, self-regulatory schemes, contractual obligations, and other legal obligations related to data Processing, protection, privacy, and security, and our actual or perceived failure to comply with such obligations could harm our business, financial condition, results of operations, and prospects and could expose us to liability.\****

As a regular part of our business, we Process business and personal information belonging to our users, customers, suppliers, partners, consultants, leads and employees. Our handling of such information is subject to numerous federal, state, local, and foreign laws, orders, codes, regulations, and regulatory guidance regarding privacy, data protection, information security, and the Processing of personal information (collectively, Data Protection Laws), the number and scope of which are changing, subject to differing applications and interpretations, and may be inconsistent among countries, or conflict with other rules, laws, or Data Protection Obligations (defined below). We expect that there will continue to be new Data Protection Laws, and we cannot yet determine the impact such future Data Protection Laws may have on our business.

We are also subject to the terms of our internal and external privacy and security policies, codes, representations, certifications, industry standards, publications, and frameworks and obligations to third parties related to privacy, data protection, and information security (collectively, Data Protection Obligations). The requirements or obligations of the regulatory framework for privacy, information security, data protection, and data Processing worldwide is, and is likely to remain, uncertain for the foreseeable future and any significant change in Data Protection Laws or Data Protection Obligations could increase our costs and could require us to modify our products or operations, possibly in a material manner, and may limit our ability to develop new services and features that make use of the data that our users and customers voluntarily share, or may limit our ability to store and Process customer data and operate our business.

In the United States, Data Protection Laws are also becoming increasingly common at both the federal and state level and a range of enforcement agencies exist that can enforce these laws and regulations. These laws and regulations may apply to our activities, including, for example, state data breach notification laws, state personal data information privacy laws, other similar laws (e.g., wiretapping laws), and federal and state consumer protection laws. For example, California enacted the California Consumer Privacy Act of 2018 (CCPA), which applies to personal information of consumers, business representatives, and employees, and requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights. The CCPA provides for civil penalties of up to \$7,500 per violation and allows private litigants affected by certain data breaches to recover significant statutory damages. Additionally, the California Privacy Rights Act (CPRA), expands the CCPA's requirements, including by adding a new right for individuals to correct their personal information and establishing a new regulatory agency to implement and enforce the law. The potential effects of this legislation are far reaching and may require us to modify our data Processing practices and policies and to incur substantial costs and expenses in an effort to comply. For example, the CCPA, as amended by the CPRA, gives

California residents expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA and CPRA also provide for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. In addition, the CCPA has prompted a number of proposals for new federal and state privacy legislation that, if passed, could increase our potential liability, increase our compliance costs, and adversely affect our business. Similar laws have been proposed or enacted in other states and at the federal level. For example, states such as Virginia, Colorado, Connecticut, and Utah have passed comprehensive privacy laws, and similar laws are being considered in several other states, as well as at the federal and local levels. These new laws further complicate compliance efforts, and increase legal risk and compliance costs for us and the third parties upon whom we rely. Compliance with any newly enacted privacy and data security laws or regulations may be challenging and cost and time-intensive, and we may be required to put in place additional mechanisms to comply with applicable legal requirements.

Furthermore, the Federal Trade Commission and many state attorneys general continue to enforce federal and state consumer protection laws against companies for online collection, use, dissemination, and security practices that appear to be unfair or deceptive. There are a number of legislative proposals in the United States, at both the federal and state level, and in the European Union (EU) and more globally, that could impose new obligations in areas such as e-commerce and other related legislation or liability for copyright infringement by third parties. We cannot yet determine the impact that future laws, regulations, and standards may have on our business. Additionally, under various Data Protection Laws and other obligations, we may be required to obtain certain consents to process personal data and our inability or failure to do so could result in adverse consequences, including litigation. For example, we make use of, and include in our offerings to customers, certain chat bot technologies. Although we have not faced any litigation related to the use of such technologies, they have been the subject of increasing litigation in which plaintiffs allege wiretapping violations associated with the use of these technologies.

Data Protection Laws in Europe also have laws and regulations which apply more broadly to the collection, use, storage, disclosure, security, transfer, and other Processing of various types of data, including data that identifies or may be used to identify an individual. For example, we are subject to the EU General Data Protection Regulation (EU GDPR), the EU GDPR as it forms part of United Kingdom (UK) law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (UK GDPR), and other EU member state implementing legislation includes stringent operational requirements for the use of personal data. Under the EU GDPR we may be subject to fines of up to €20 million or up to 4% of the total worldwide annual group turnover of the preceding financial year (whichever is higher) for major violations and up to the greater of £17.5m or up to 4% of annual global revenues in respect of the UK GDPR. In addition to the foregoing, a breach of the EU GDPR or UK GDPR could result in regulatory investigations, reputational damage, orders to cease/ change our Processing of our data, enforcement notices, assessment notices (for a compulsory audit), and/or other corrective action, such as class action brought by classes of data subjects or by consumer protection organizations authorized at law to represent their interests. We cannot be certain how EU regulators will interpret or enforce many aspects of the EU GDPR or UK GDPR, and some regulators may do so in an inconsistent manner, making such a prediction even more difficult. EU member states may introduce further conditions and safeguards, which could limit our ability to Process European data, or could cause our compliance costs to increase, require us to change our practices, adversely impact our business, and harm our financial condition.

European Data Protection Laws, including the EU GDPR and UK GDPR, also generally prohibit the transfer of personal data from Europe, including the European Economic Area (EEA), the UK, and Switzerland, to the United States and most other countries unless the parties to the transfer have established a legal basis for the transfer and implemented specific safeguards to protect the transferred personal data. Other jurisdictions may adopt similarly stringent interpretations of their cross-border data transfer laws. Although there are currently various mechanisms that may be used to transfer personal data from the EU and UK to the United States, such as standard contractual clauses and related addendums, these mechanisms are subject to legal challenges, and there is no assurance that we can satisfy or rely on these measures to lawfully transfer personal data to the United States. If there is no lawful manner for us to transfer personal data from the EU, UK, or other jurisdictions to the United States, we could face significant consequences, including restricting our operations or relocating part of or all of our business to other jurisdictions and increased exposure to regulatory actions, substantial fines, and injunctions against Processing or

transferring personal data. Some European regulators have prevented companies from transferring personal data out of Europe.

In addition to Europe, a growing number of other global jurisdictions are considering or have passed legislation implementing data protection requirements or requiring local storage and Processing of data or similar requirements that could increase the cost and complexity of delivering our products, particularly as we further expand our operations internationally. Some of these laws, such as the General Data Protection Law in Brazil or the Act on the Protection of Personal Information in Japan, impose similar obligations as those under the GDPR. Others, such as those in Russia and China, would potentially impose more stringent obligations, including data localization requirements. Should such a framework be adopted, our ability to Process business and personal information belonging to our users and customers may be further restricted.

Any failure or perceived failure by us to comply with applicable Data Protection Laws or any of our Data Protection Obligations may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us. If we are unable to develop and offer products or internal processes that meet legal requirements or help our users and customers meet their obligations under the Data Protection Laws, or if we violate or are perceived to violate any Data Protection Laws, we may cause our customers to lose trust in us and experience reduced demand for our products, harm to our reputation, and become subject to investigations, claims, and other remedies, which would expose us to significant fines, penalties, and other damages, all of which would harm our business. Given the breadth and depth of changes in global data protection obligations, compliance has caused us to expend significant resources, and such expenditures are likely to continue into the future as we continue our compliance efforts and respond to new interpretations and enforcement actions. Further, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the adoption and use of, and reduce the overall demand for, our products and services.

Change in existing legislation or introduction of new legislation may require us to incur additional expenditures to ensure compliance with such legislation, which may adversely affect our financial condition. We strive to comply with Data Protection Laws and Data Protection Obligations to the extent possible, but we may at times fail, or may be perceived to have failed, to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees, partners, or vendors do not comply with applicable Data Protection Laws and Data Protection Obligations. A finding that our privacy policies are, in whole or part, inaccurate, incomplete, deceptive, unfair, or misrepresentative of our actual practices, a failure or perceived failure by us to comply with Data Protection Laws or Data Protection Obligations or any data compromise that results in the unauthorized release or transfer of business or personal information or other user or customer data, may increase our compliance and operational costs, limit our ability to market our products or services and attract new and retain current customers, limit or eliminate our ability to Process data, and result in domestic or foreign governmental enforcement actions and fines, litigation, significant costs, expenses, and fees (including attorney fees), cause a material adverse impact to business operations or financial results, and otherwise result in other material harm to our business. In addition, any such failure or perceived failure could result in public statements against us by consumer advocacy groups, the media or others, which may cause us material reputational harm. Our actual or perceived failure to comply with Data Protection Laws and Data Protection Obligations could also subject us to litigation, claims, proceedings, actions, or investigations by governmental entities, authorities, or regulators that could require changes to our business practices, diversion of resources and the attention of management from our business, regulatory oversights and audits, discontinuance of necessary Processing, or other remedies that adversely affect our business.

#### **Risks Related to Our Operations in India**

***A substantial portion of our business and operations are located in India, and we are subject to regulatory, economic, social, and policy uncertainties in India.***

A substantial portion of our operations and employees are located in India, including a majority of our software engineering resources, and we intend to continue to develop and expand our operations in India. Consequently, our financial performance and the market price of our Class A common stock will be affected by changes in exchange rates and controls, interest rates, changes in government policies, including taxation policies, and other social and economic developments in or affecting India.

The Government of India and the state governments of India have exercised and continue to exercise significant influence over many aspects of the Indian economy. India has a mixed economy with a large public sector and an extensively regulated private sector. Increased regulation, changes in existing regulations, or significant changes in India's policy of economic liberalization may require us to change our business policies and practices. We may not be able to react to such changes promptly or in a cost-effective manner and therefore such changes may increase the cost of providing services to our customers, which would have an adverse effect on our operations and our financial condition and results of operations.

In order to contain the spread of the COVID-19 pandemic, the Government of India implemented a variety of restrictive measures in 2020 and 2021, including nationwide and regional lockdowns, curfews and travel restrictions. These restrictive measures led to us having a large number of our employees work remotely, which has resulted in a loss in productivity for our Indian employees. There is no assurance that employee productivity will improve or that we will be able to comply with any future measures on a timely and cost-effective basis. Any uncertainties regarding the imposition of new restrictive measures related to the COVID-19 pandemic could adversely affect business and economic conditions in India generally and our business and prospects.

***We are subject to various labor laws, regulations, and standards in India. Non-compliance with and changes in such laws may adversely affect our business, results of operations, and financial condition.***

By virtue of having a significant number of employees in India, we are required to comply with various labor and industrial laws in India, which change regularly. If we are unable to comply with such regulations on a timely basis, we may be subjected to sanctions, fines, or other regulatory actions. We cannot assure you that our costs of complying with current and future labor laws and other regulations will not adversely affect our business, results of operations, or financial condition.

***Wage increases in India may diminish our competitive advantage against companies located in the United States and European Union and may reduce our profit margins.***

Our wage costs in India have historically been significantly lower than wage costs in the United States and the EU for comparably skilled professionals, and this has been one of our competitive advantages. However, wage increases in India due to legislation or other factors may prevent us from sustaining this competitive advantage and may negatively affect our financial performance. We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent. Unless we are able to continue to increase the efficiency and productivity of our employees over the long term, wage increases may negatively affect our financial performance.

For instance, in September 2020, the Government of India passed new legislation relating to social security and wages called the Code for Social Security, 2020 (the Social Security Code). The provisions of the Social Security Code are yet to be fully effective, as the rules issued under the Social Security Code have not yet been notified. The Social Security Code will impact overall employee expenses which, in turn, could impact our profitability. The Social Security Code includes the novel concept of deemed remuneration, such that where an employee receives more than half (or such other percentage as may be notified by the Government of India) of such employee's total remuneration in the form of allowances, and other amounts that are not included within the definition of wages under the Social Security Code, the excess amount received shall be deemed as remuneration and accordingly added to wages for the purposes of the Social Security Code, and the compulsory contribution made towards the employees' provident fund. Further, the Social Security Code has introduced the concept of workers outside the traditional employer-employee work-arrangements (including in online and digital platform), such as "gig workers" and "platform workers," and provides for the mandatory registration of such workers in order to enable these workers to avail themselves to the benefits of, among others, life and disability insurance coverage, health and maternity benefits and old age protection. As a consequence, the Social Security Code could increase the financial burden on the employer and could impact profitability.

Further, the Government of India has notified three other labor codes, namely, the Code on Wages 2019, Industrial Relations Code 2020, and Occupational Safety, Health & Working Condition Code 2020, which are yet to fully come into force, as the rules for these Acts have not yet been published and the effective date from which these changes are applicable is yet to be notified. Accordingly, while we are unable to ascertain with certainty the impact,

financial or otherwise, due to these changes, it is possible that our wage costs in India may increase as a result of these changes when they become effective.

***Government regulation on e-commerce and foreign investment, including investment in e-commerce in India, is evolving, and unfavorable changes to, or failure by us to comply with, these evolving regulations could adversely affect our business, financial condition, and results of operations.***

The ownership of Indian companies by non-residents is regulated by the Government of India and the Reserve Bank of India (RBI). Under its consolidated foreign direct investment policy (FDI Policy) and India's Foreign Exchange Management Act, 1999 and the rules and regulations thereunder, particularly the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, each as amended (FEMA), the Government of India has specific requirements with respect to the level of foreign investment permitted in certain business sectors both without (known as the automatic route) and with (known as the approval route) prior regulatory approval, as well as the pricing of such investments, downstream investments by Indian companies owned or controlled by foreign entities, and the transfer of ownership or control of Indian companies in sectors with caps on foreign investment from resident Indian persons or entities to non-residents of India.

Under the FDI Policy, 100% foreign ownership is allowed under the automatic route (i.e., generally without prior regulatory approval) in companies engaged in business to business (B2B) e-commerce activities. Our current business operations and holding structure comply with these foreign investment restrictions and conditions. However, the Government of India has made and may continue to make revisions to the FEMA and the FDI Policy as regards e-commerce in India, including in relation to inventory, pricing, discounting, and permitted services. The Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India is also in the process of legislating a national e-commerce policy, which will address e-commerce regulation and data protection. The timing or impact of this policy, which remains in draft form, is not yet certain. Such changes may require us to make changes to our business in order to comply with Indian law.

The regulatory framework applicable to e-commerce is constantly evolving and remains subject to change by the Government of India and the RBI. Any failure, or perceived failure, by us to comply with any of these evolving laws or regulations could result in proceedings or actions against us by governmental entities or others. Further, any such framework changes, such as the mandate on recurring credit and debit card payments that went into effect on September 30, 2021, may adversely affect our results of operations.

***Changes in the taxation system in India could adversely affect our business.***

Our business, financial condition, and results of operations could be materially and adversely affected by any change in the extensive central and state tax regime in India applicable to us and our business. Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty, and other special taxes and surcharges, which are introduced on a temporary or permanent basis from time to time. This extensive central and state tax regime is subject to change from time to time. The final determination of our tax liability involves the interpretation of local tax laws and related regulations in each jurisdiction, as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred.

U.S. and Indian transfer-pricing regulations require that any international transaction involving associated enterprises be at an arm's-length price. Transactions among us and our subsidiaries may be considered such transactions. Accordingly, we determine the pricing among our entities on the basis of detailed functional and economic analysis involving benchmarking against transactions among entities that are not under common control. If the income tax authorities review any of our tax returns and determine that the transfer price applied was not appropriate, we may incur increased tax liabilities, including accrued interest and penalties. In mitigating the risk of transfer pricing arrangements, we have filed for an Advance Pricing Arrangement with the India Revenue authorities providing certainty of the arm's-length pricing methodology for future years.

If the stockholders (being non-residents under Indian tax laws) of the foreign company exit by way of redemption of the shares held by them in the foreign company or by selling the shares in foreign company, the

stockholders could be taxed in India where the foreign company derives substantial value from India subject to stockholders being either entitled to small stockholder exemption available under Income Tax Act, 1961 or a benefit under the applicable double taxation avoidance agreement.

Tax laws and regulations are also subject to differing interpretations by various authorities in India. Differing interpretations of tax and other fiscal laws and regulations may exist within governmental ministries, including tax administration and appellate authorities, thus creating uncertainty and potential unexpected results. The degree of uncertainty in tax laws and regulations, combined with significant penalties for default and a risk of aggressive action by the governmental or tax authorities, may result in tax risks in the jurisdictions in which we operate being significantly higher than expected. Unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current businesses or restrict our ability to grow our businesses in the future. We are continually under review by the Indian tax authorities and have not received any assessments to date that would have a material impact to our financial statements.

***Our ability to receive dividends and other payouts from our Indian subsidiaries is subject to Indian legal restrictions and withholding tax.***

Whether our Indian subsidiaries will pay us dividends in the future and the amount of any such dividends, if declared, will depend on a number of factors, including future earnings, financial condition and performance, cash flows, working capital requirements, capital expenditures and other factors considered relevant by us and the boards of our Indian subsidiaries. We may decide to retain a substantial portion or all of our earnings in our Indian subsidiaries to finance the development and expansion of our business and, therefore, may not declare dividends.

In the event dividends are declared, the Income Tax Act, 1961 (as amended by Finance Act, 2022) requires that any dividends paid by an Indian company be subject to tax in the hands of the stockholders at applicable rates, such taxes will be withheld by the Indian subsidiary paying dividends.

#### **Risks Related to Intellectual Property**

***We may become subject to intellectual property rights claims and other litigation that are expensive to support, and if resolved adversely, could have a material adverse effect on us.***

We have in the past, and may in the future, become subject to intellectual property or other disputes. Our success depends, in part, on our ability to develop and commercialize our offerings without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. However, we may not be aware that our offerings are infringing, misappropriating, or otherwise violating third-party intellectual property rights. From time to time, our competitors or other third parties have claimed, and may in the future claim, that we are infringing upon, misappropriating, or violating their intellectual property rights, even if we are unaware of the intellectual property rights that such parties may claim cover our products or some or all of the other technologies we use in our business. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights increases, we believe that companies in our industry will face more frequent infringement claims.

In addition, while we maintain a policy prohibiting our employees from using the confidential information of third parties or former employers (without their express permission) in performing their work for us, we cannot guarantee that the policies or processes we have enacted will prevent employees from acting without our knowledge in contravention of such policies. As we face increasing competition and our public profile increases, the possibility of intellectual property rights claims against us may also increase. The costs of supporting such litigation, regardless of merit, are considerable, and such litigation may divert management and key personnel's attention and resources,

which might seriously harm our business, results of operations, and financial condition. We may be required to settle such litigation on terms that are unfavorable to us. For example, a settlement may require us to obtain a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices would require significant effort and expense. Similarly, if any litigation to which we may be a party fails to settle and we go to trial, we may be subject to an unfavorable judgment which may not be reversible upon appeal. For example, the terms of a judgment may require us to cease some or all of our operations or require the payment of substantial amounts to the other party. Any of these events would cause our business and results of operations to be materially and adversely affected as a result.

Moreover, insurance might not cover such claims or disputes, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim or dispute brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our business, results of operations, and financial condition.

We are also frequently required to indemnify our channel partners and customers in the event of any third-party infringement claims against our customers and third parties who offer our products, and such indemnification obligations may be excluded from contractual limitation of liability provisions that limit our exposure. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers and channel partners, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers and channel partners, may be required to modify one or more products to make it non-infringing, or may be required to obtain licenses for the products used. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using one or more products, and our channel partners may be forced to stop selling one or more of our products.

***If we are unable to protect our intellectual property rights both in the United States and abroad, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.***

We rely and expect to continue to rely on a combination of trademark, copyright, patent, and trade secret protection laws to protect our intellectual property rights and proprietary information both in the United States and abroad. The intellectual property laws and protections offered in countries outside of the United States may not protect proprietary rights to the same extent as laws in the United States. Therefore, our efforts to protect our intellectual property may not be adequate and competitors may independently develop similar technology or duplicate our products or services and compete with us in this and other geographies where enforcement of intellectual property rights is less clear than in the United States.

While we maintain a policy requiring our employees, consultants, independent contractors, and third parties who are engaged to develop any material intellectual property for us to enter into confidentiality and invention assignment agreements to control access to and use of our proprietary information and to ensure that any intellectual property developed by such employees, contractors, consultants, and other third parties are assigned to us, we cannot guarantee that the confidentiality and proprietary agreements or other employee, consultant, or independent contractor agreements we enter into adequately protect our intellectual property rights and other proprietary information. In addition, we cannot guarantee that these agreements will not be breached, that we will have adequate remedies for any breach, or that the applicable counter-parties to such agreements will not assert rights to our intellectual property rights or other proprietary information arising out of these relationships. Furthermore, the steps we have taken and may take in the future may not prevent misappropriation of our proprietary solutions or technologies, particularly with respect to employees who are no longer employed by us.

Furthermore, third parties may knowingly or unknowingly infringe or circumvent our intellectual property rights, and we may not be able to prevent infringement without incurring substantial expense. Litigation brought to protect and enforce our intellectual property rights would be costly, time-consuming, and distracting to management and key personnel, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits

attacking the validity and enforceability of our intellectual property rights. If the protection of our intellectual property rights is inadequate to prevent use or misappropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our products and methods of operations. Any of these events would have a material adverse effect on our business, results of operations, and financial condition.

***Our failure to obtain or maintain the right to use certain of our intellectual property would negatively affect our business.***

Our future success and competitive position depend in part upon our ability to obtain or maintain certain intellectual property used in our products. While we have been issued patents for certain aspects of our intellectual property in the United States and have additional patent applications pending in the United States, we have not applied for patent protection in foreign jurisdictions, and may be unable to obtain patent protection for the technology covered in our patent applications. In addition, we cannot ensure that any of the patent applications will be approved or that the claims allowed on any issued patents will be sufficiently broad to protect our technology or products and provide us with competitive advantages. Furthermore, any issued patents may be challenged, invalidated, or circumvented by third parties.

Many patent applications in the United States may not be public for a period of time after they are filed, and since publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we cannot be certain that we will be the first creator of inventions covered by any patent application we make or that we will be the first to file patent applications on such inventions. Because some patent applications may not be public for a period of time, there is also a risk that we could adopt a technology without knowledge of a pending patent application, which technology would infringe a third-party patent once that patent is issued.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, and independent contractors to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how, or other proprietary information in the event of any unauthorized use, misappropriation, or disclosure of such trade secrets, know-how, or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, our business would be materially adversely affected.

We rely on our trademarks, trade names, and brand names to distinguish our solutions from the products of our competitors, and have registered or applied to register many of these trademarks in the United States and certain countries outside the United States. However, occasionally third parties may have already registered identical or similar marks for products or solutions that also address the software market. As we rely in part on brand names and trademark protection to enforce our intellectual property rights, efforts by third parties to limit use of our brand names or trademarks and barriers to the registration of brand names and trademarks in various countries may restrict our ability to promote and maintain a cohesive brand throughout our key markets. There can also be no assurance that pending or future U.S. or foreign trademark applications will be approved in a timely manner or at all, or that such registrations will effectively protect our brand names and trademarks. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which would result in loss of brand recognition and would require us to devote resources to advertising and marketing new brands.

***Our use of “open source” and third-party software could impose unanticipated conditions or restrictions on our ability to commercialize our products and could subject us to possible litigation.***

A portion of the technologies we use in our products and mobile applications incorporates “open source” software, and we may incorporate open source software in our products and mobile applications in the future.

From time to time, companies that use third-party open source software have faced claims challenging the use of such open source software and their compliance with the terms of the applicable open source license. We may be subject to suits by parties claiming ownership of what we believe to be open source software or claiming non-compliance with the applicable open source licensing terms. Some open source licenses require end-users who



distribute or make available across a network software and services that include open source software to make available all or part of such software, which in some circumstances could include valuable proprietary code, at no cost, or license such code under the terms of the particular open source license. While we employ practices designed to monitor our compliance with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the applicable terms of such license, including claims for infringement of intellectual property rights or for breach of contract. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose source code that incorporates or is a modification of such licensed software. Furthermore, there is an increasing number of open-source software license types, almost none of which have been tested in a court of law, resulting in a dearth of guidance regarding the proper legal interpretation of such license types. If an author or other third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable open source license, we could expend substantial time and resources to re-engineer some or all of our software or be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open source software, and required to comply with the foregoing conditions, including public release of certain portions of our proprietary source code.

In addition, the use of third-party open source software typically exposes us to greater risks than the use of third-party commercial software because open-source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to compromise our products. Any of the foregoing could be harmful to our business, results of operations, and financial condition.

We rely on software licensed from third parties to offer our products. In addition, we may need to obtain future licenses from third parties to use intellectual property rights associated with the development of our products, which might not be available on acceptable terms, or at all. Any loss of the right to use any third-party software required for the development and maintenance of our products or mobile applications could result in loss of functionality or availability of our products or mobile applications until equivalent technology is either developed by us, or, if available, is identified, obtained, and integrated. Any errors or defects in third-party software could result in errors or a failure of our products or mobile applications. Any of the foregoing would disrupt the distribution and sale of subscriptions to our products and harm our business, results of operations, and financial condition.

### **Risks Related to International Operations**

***Our international operations and sales to customers outside the United States expose us to risks inherent in international operations and sales.***

We have a significant portion of our operations in India. As of March 31, 2023, approximately 4,400 of our employees reside in India, representing approximately 85% of our total employee population. For the quarter ended March 31, 2023, 56% of our revenue was generated from customers outside North America. Besides India and the United States, we have sales and marketing operations primarily in Australia, Canada, France, Germany, Netherlands, Singapore and the United Kingdom. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those in the United States. In addition, we will face risks in doing business internationally that could adversely affect our business and results of operations, including:

- the need to localize and adapt our products for specific countries, including translation into foreign languages and associated expenses;
- data privacy laws that impose different and potentially conflicting obligations with respect to how personal information is Processed or require that customer data be stored in a designated territory;
- difficulties in staffing and managing foreign operations;

- regulatory and other delays and difficulties in setting up and maintaining foreign operations;
- different pricing environments, longer sales cycles, longer accounts receivable payment cycles, and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting, and changing governmental laws and regulations, including employment, tax, privacy, and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- declines or increases in the values of foreign currencies, primarily the Indian Rupee, British Pound, and Euro, relative to the U.S. dollar;
- restrictions on the transfer of funds;
- potentially adverse tax consequences;
- the cost of and potential outcomes of any claims or litigation;
- future accounting pronouncements and changes in accounting policies;
- changes in tax laws or tax regulations;
- public health or similar issues, such as a pandemics or epidemics; and
- regional and local economic and political conditions, including military actions affecting Russia, Ukraine and/or surrounding regions.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these risks. These factors and others could harm our ability to increase international revenue and, consequently, would materially impact our business and results of operations. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business.

In particular, the majority of our software development operations are in India. South Asia has from time to time experienced instances of civil unrest, terrorist attacks and hostilities among neighboring countries. To the extent that such unrest affects or involve India, our business may be significantly impacted due to the extent of our operations in India. Further, such activities could disrupt communications, make travel more difficult, and create a greater perception that investments in companies with large operations in India involve a higher degree of risk. This, in turn, could have an adverse effect on the market for our Class A common stock.

In addition, following Russia's military invasion of Ukraine in February 2022, the United States, EU, and other nations announced various sanctions and export restrictions against Russia and Belarus. Such restrictions include blocking sanctions on some of the largest state-owned and private Russian financial institutions, and their removal from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) payment system. The invasion of Ukraine and the retaliatory measures that have been taken, and could be taken in future, by the United States, NATO, and other countries have created global security concerns that could result in a regional conflict and otherwise have a lasting impact on regional and global economies, any or all of which could adversely affect our business, including preventing us from performing existing contracts, pursuing new business opportunities, or receiving payments for services already provided to customers.

***We are subject to anti-corruption, anti-bribery, and similar laws, and our failure to comply with these laws could subject us to criminal penalties or significant fines and harm our business and reputation.***

We are subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the UK Bribery Act 2010, the India Prevention of Corruption Act, 1988, and other anti-corruption, anti-bribery, and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making, offering, soliciting, or accepting, directly or indirectly, improper payments or other benefits to or from any person whether in the public or private sector. As we increase our international sales and business further, our risks under these laws may increase especially given our substantial reliance on sales to and through resellers and other intermediaries. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage, and other consequences. Any investigations, actions, or sanctions could harm our business, results of operations, and financial condition.

***We are subject to various export control, import, and trade and economic sanction laws and regulations that could impair our ability to compete in international markets and subject us to liability for noncompliance.***

Our business activities are subject to various export control, import, and trade and economic sanction laws and regulations, including, among others, the U.S. Export Administration Regulations, administered by the Department of Commerce's Bureau of Industry and Security, U.S. Customs regulations, and economic and trade sanctions regulations maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control, which we refer to collectively as Trade Controls. Trade Controls may prohibit or restrict the sale or supply of certain products and services to certain governments, persons, entities, countries, and territories, including those that are the target of comprehensive sanctions. We incorporate encryption technology into certain of our products, which may subject their export outside of the United States to certain export authorization requirements, including licensing, compliance with license exceptions, or other appropriate government authorization. In addition, various other countries regulate the import and export of certain encryption and other technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit the ability of organizations to use our products in those countries.

Although we maintain internal controls reasonably designed to ensure compliance with Trade Controls, our products and services may have in the past been, and could in the future be, provided inadvertently in violation of Trade Controls, despite the precautions we take. Violations of Trade Controls may subject our company, including responsible personnel, to various adverse consequences, including civil or criminal penalties, government investigations, and loss of export privileges. Further, obtaining the necessary authorizations, including any required licenses, for particular transactions or uses of our products may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. In addition, if our channel partners fail to obtain any required import, export, or re-export licenses or permits, this could result in a violation of law by us, and we may also suffer reputational harm and other negative consequences, including government investigations and penalties.

Finally, changes in our products or future changes in Trade Controls could result in our inability to provide our products to certain customers or decreased use of our products by existing or potential customers with international operations. Any decreased use of our products or mobile applications or increased limitations on our ability to export or sell our products and mobile applications would adversely affect our business, results of operations, and financial condition.

***Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our products and could harm our business.***

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communication, and business applications. Federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial

medium. Changes in these laws or regulations could require us to modify our products in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees, or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet related commerce or communications generally or result in reductions in the demand for internet-based products such as ours. In addition, the use of the internet as a business tool could be harmed due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool has been harmed by “viruses,” “worms,” and similar malicious programs and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our products could decline.

***Restrictive changes to immigration laws may hamper our growth.***

The success of our business is dependent on our ability to attract and retain talented and experienced professionals in the jurisdictions in which we operate. Immigration laws in the countries in which we operate are subject to legislative changes, as well as to variations in the standards of application and enforcement due to political forces and economic conditions.

Our business is strengthened by the ability to mobilize employees between India and the United States where we have significant operations. Changes to U.S. immigration laws could make it more difficult to obtain the required work authorizations for our employees. This could in turn have an adverse effect on our operations and the value of our Class A common stock.

**Risks Related to Tax Matters**

***Our business, results of operations, and financial condition may be harmed if we are required to collect sales or other related taxes for subscriptions to our products in jurisdictions where we have not historically done so.***

We collect sales and use, value-added and similar taxes in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other similar taxes could, among other things, result in substantial tax payments, create significant administrative burdens for us, discourage potential customers from subscribing to our products due to the incremental cost of any such sales or other related taxes, or otherwise harm our business, results of operations, and financial condition.

Additionally, the application of indirect taxes, such as sales and use tax, value-added tax, GST, business tax, and gross receipt tax, to our business is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations, and, as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. New legislation could require us to incur substantial costs, including costs associated with tax calculation, collection, and remittance and audit requirements, and could adversely affect our business and results of operations. Furthermore, the U.S. Supreme Court has ruled in *South Dakota v. Wayfair* that a U.S. state may require an online retailer to collect sales taxes imposed by the state in which the buyer is located, even if the retailer has no physical presence in that state, thus permitting a wider enforcement of such sales tax collection requirements.

***Our ability to utilize our net operating loss carryforwards and certain other tax attributes to offset taxable income or taxes may be limited.***

As of December 31, 2022, we had U.S. federal net operating loss carryforwards of \$429.6 million portions of which will begin to expire in 2030 if not utilized. In addition, we have foreign tax credits of \$5.0 million that will begin to expire in 2027. Furthermore, we have state net operating loss carryforwards of \$151.4 million, portions of which will begin to expire beginning in 2032. Portions of these net operating loss carryforwards and foreign tax credits could expire unused and be unavailable to offset future income tax liabilities. Under the legislation enacted in 2017, titled the Tax Cuts and Jobs Act (Tax Act), as modified by the Coronavirus Aid, Relief, and Economic Security (CARES Act), U.S. federal net operating losses incurred in taxable years beginning after December 31,

2017, may be carried forward indefinitely, but the deductibility of such federal net operating losses in taxable years beginning after December 31, 2020, is limited. It is uncertain how various states will respond to the Tax Act and the CARES Act. For state income tax purposes, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, California imposed limits (which have now expired) on the usability of California state net operating losses to offset taxable income in tax years beginning after 2019 and before 2022.

In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. Our existing NOLs may be subject to limitations arising from transactions that have occurred since our inception, which may trigger such an ownership change pursuant to Section 382. In the future, we may experience ownership changes as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Tax Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

In particular, new income, sales and use or other tax laws or regulations could be enacted at any time, which could adversely affect our business operations and financial performance. In addition, changes in tax laws or regulations could be enacted or existing tax laws or regulations could be applied to us or our customers in a manner that could increase the costs of our products and harm our business. Further, existing tax laws, regulations could be interpreted, modified or applied adversely to us. For example, the Tax Act enacted many significant changes to the U.S. tax laws. Future guidance from the Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. For example, the CARES Act modified certain provisions of the Tax Act. In addition, it is uncertain if and to what extent various states will conform to the Tax Act, the CARES Act, or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net operating losses, and other deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets and could increase our future U.S. tax expense.

***Our international operations may subject us to potential adverse tax consequences.***

We are expanding our international operations to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth in international markets, and consider the functions, risks and assets of the various entities involved in intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with

our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

#### **Risks Related to Ownership of Our Class A Common Stock**

***The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including our executive officers, employees, and directors and their affiliates, and limiting your ability to influence corporate matters, which could adversely affect the trading price of our Class A common stock.***

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Based on shares of common stock held as of March 31, 2023, our directors, executive officers, and holders of more than 5% of our Class A common stock or Class B common stock, and their respective affiliates held in the aggregate approximately 89% of the voting power of our outstanding capital stock, and our Chief Executive Officer, Mr. Mathrubootham, controlled approximately 10.5% of the voting power of our outstanding common stock. As a result, our executive officers, directors, and other affiliates and potentially our Chief Executive Officer on his own have significant influence over our management and affairs and over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of the company or our assets, for the foreseeable future. Even if Mr. Mathrubootham is no longer employed with us, he will continue to have the same influence over matters requiring stockholder approval.

In addition, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the 10-to-1 voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent as little as 10% of the combined voting power of all outstanding shares of our Class A common stock and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

Future transfers by holders of shares of Class B common stock will generally result in those shares converting to shares of Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. Certain permitted transfers, as specified in our amended and restated certificate of incorporation, will not result in shares of Class B common stock automatically converting to shares of Class A common stock, including certain estate planning transfers as well as transfers to our founders or our founders' estates or heirs upon death or incapacity of such founder. If, for example, Mr. Mathrubootham (or family trusts to which he were to transfer shares of Class B common stock) retain a significant portion of his holdings of Class B common stock for an extended period of time, he (or such trusts) could, in the future, control a majority of the combined voting power of our Class A common stock and Class B common stock. As a board member, Mr. Mathrubootham owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, Mr. Mathrubootham is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

FTSE Russell and Standard & Poor's do not allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Also, in 2017, MSCI, a leading stock index provider, opened public consultations on its treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that

specifically includes voting rights in its eligibility criteria. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these indices will not be investing in our stock. In addition, we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and would make our Class A common stock less attractive to other investors. As a result, the trading price, volume, and liquidity of our Class A common stock could be adversely affected.

***The concentration of our share ownership in those stockholders who held our stock prior to our initial public offering, including our executive officers, directors and holders of more than 5% of our capital stock, may limit your ability to influence corporate matters.***

Our executive officers, directors, holders of more than 5% of our Class A common stock or Class B common stock, and their respective affiliates together beneficially owned approximately 56.6% of our total shares outstanding and 89% of our voting power as of March 31, 2023. As a result, these stockholders, acting together, have control over our management and affairs and over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of us or our assets, for the foreseeable future. Corporate action might be taken even if other stockholders oppose them. This concentration of ownership could also delay or prevent a change of control of us that other stockholders may view as beneficial.

***Additional stock issuances could result in significant dilution to our stockholders.***

We may issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments, or otherwise. We intend to issue an additional 2,850,000 shares of our Class A common stock and donate such shares to a newly formed U.S. charitable foundation in the future, which will result in additional dilution to our existing stockholders. Additional issuances of our stock will result in dilution to existing holders of our stock. Also, to the extent outstanding stock options to purchase our stock are exercised or restricted stock units settle, there will be further dilution. Any such issuances could result in substantial dilution to our existing stockholders and cause the trading price of our Class A common stock to decline.

***The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.***

The trading price of our Class A common stock has been and will likely continue to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control, and this volatility could be accentuated by the limited public float of our shares relative to our overall capitalization. These fluctuations could cause you to lose all or part of your investment in our Class A common stock. Factors that could cause fluctuations in the trading price of our Class A common stock include the risk factors set forth in this section as well as the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors, particularly in light of the significant portion of our revenue derived from a limited number of customers;
- changes in our financial, operating or other metrics, regardless of whether we consider those metrics as reflective of the current state or long-term prospects of our business, and how those results compare to securities analyst expectations, including whether those results fail to meet, exceed, or significantly exceed

securities analyst expectations, particularly in light of the significant portion of our revenue derived from a limited number of customers;

- announcements by us or our competitors of new products, applications, features, or services;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or data security incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, applications, products, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management; and
- general political and economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and in the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation has been instituted against us and could result in substantial costs and a diversion of our management's attention and resources.

***Substantial future sales of shares of our Class A common stock by existing holders in the public market could cause the market price of our Class A common stock to decline.***

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could depress the market price of our Class A common stock.

In addition, certain of our stockholders have registration rights that would require us to register shares owned by them for public sale in the United States. We have also filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods and applicable volume and restrictions that apply to affiliates, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards are available for immediate resale in the United States in the open market.

Sales of our shares could also impair our ability to raise capital through the sale of additional equity securities in the future and at a price we deem appropriate. These sales could also cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

***Our Class A common stock market price and trading volume could decline if securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.***

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. The analysts' estimates are based upon their own opinions and



are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our Class A common stock to decline.

***We incur and will continue to incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies in the United States, which may harm our business.***

As a public company listed in the United States, we incur and will continue to incur significant additional legal, accounting, and other expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and Nasdaq, may increase legal and financial compliance costs and make some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts, we fail to comply with new laws, regulations, and standards, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events would also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors, or as members of senior management.

### ***General Risks***

***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to the useful lives and carrying values of long-lived assets, allowance for doubtful accounts, stock-based compensation expense, the expected benefit period of deferred contract acquisition costs, the fair value of our employee defined benefit and other compensation liabilities, and valuation of deferred tax assets. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.***

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

***A failure to establish and maintain an effective system of disclosure controls and internal control over financial reporting, could adversely affect our ability to produce timely and accurate financial statements or comply with applicable regulations.***

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), the Sarbanes-Oxley Act, and the rules and regulations of the applicable Nasdaq listing standards. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act, is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal controls over financial reporting. For example, we have worked to improve the controls around our key accounting processes and our quarterly close process, and we have hired additional accounting and finance personnel to help us implement these processes and controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and investments to strengthen our accounting systems.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems, and controls to accommodate such changes. We have limited experience with implementing the systems and controls that are necessary to operate as a public company, as well as adopting changes in accounting principles or interpretations mandated by the relevant regulatory bodies. Additionally, if these new systems, controls, or standards and the associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq.

We are required, pursuant to Section 404 Sarbanes-Oxley Act (Section 404), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, because we ceased to be an “emerging growth company” as defined in the Jumpstart our Business Startups Act of 2012 as of December 31, 2022, our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting, which commenced with our Annual Report on Form 10-K for the year ended December 31, 2022. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over

financial reporting is documented, designed, or operating. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and update the systems and process documentation necessary to perform the evaluation needed to comply with Section 404. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business, results of operations, and financial condition and could cause a decline in the trading price of our Class A common stock.

***We are currently planning and designing information systems enhancements, and problems with the design or implementation of these enhancements could interfere with our business and operations.***

We are currently in the process of significantly enhancing our information systems and have recently implemented a new enterprise resource planning (ERP) system and a new human capital management platform. The implementation of significant enhancements to information systems is frequently disruptive to the underlying business of an enterprise, which may especially be the case for us due to the size and complexity of our businesses. The implementation of significant enhancements to information systems is frequently disruptive to the underlying business of an enterprise, which may especially be the case for us due to the size and complexity of our businesses. The implementation process has required, and will continue to require, the investment of significant personnel and financial resources. We may not be able to successfully implement these enhancements to information systems without experiencing further delays, increased costs and other difficulties. Any disruptions relating to our systems enhancements, particularly any disruptions impacting our operations during the design or implementation periods, could adversely affect our ability to process customer orders, provide products and support to our customers, invoice and collect from our customers, fulfill contractual obligations, and otherwise run our business. Data integrity problems or other issues may also be discovered during or as a result of the implementation which, if not corrected, could impact our business or financial results. If we are unable to successfully design and implement our information system enhancements, our financial position, results of operations and cash flows could be negatively impacted. Additionally, if we do not effectively implement the information system enhancements as planned or the information systems do not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess those controls adequately could be further delayed.

***We may engage in merger and acquisition activities, which would require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our business, results of operations, and financial condition.***

As part of our business strategy to expand our product offerings and grow our business in response to changing technologies, customer demand, and competitive pressures, we have in the past and may in the future make investments or acquisitions in other companies, products, or technologies. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to complete acquisitions on favorable terms, if at all. These acquisitions may not ultimately strengthen our competitive position or achieve the goals of such acquisition, and any acquisitions we complete could be viewed negatively by customers or investors. We may encounter difficult or unforeseen expenditures in integrating an acquisition, particularly if we cannot retain the key personnel of the acquired company. Existing and potential customers may also delay or reduce their use of our products due to a concern that the acquisition may decrease effectiveness of our products (including any newly acquired product). In addition, if we fail to successfully integrate such acquisitions, or the assets, technologies, or personnel associated with such acquisitions, into our company, the business and results of operations of the combined company would be adversely affected.

Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses, subject us to increased regulatory requirements, cause adverse tax consequences or unfavorable accounting treatment, expose us to claims and disputes by stockholders and third parties, and adversely impact our business, financial condition, and results of operations. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash for any such acquisition which would limit other potential uses for our cash. If we incur debt to fund any such acquisition, such debt may subject us to material restrictions in our ability to conduct our business, result in increased fixed obligations, and subject us to covenants or

other restrictions that would decrease our operational flexibility and impede our ability to manage our operations. If we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders' ownership would be diluted.

***Increased government scrutiny of the technology industry could negatively affect our business.***

The technology industry is subject to intense media, political, and regulatory scrutiny, which exposes us to government investigations, legal actions, and penalties. Various regulatory agencies, including competition, consumer protection, and privacy authorities, have active proceedings and investigations concerning multiple technology companies. Although we are not currently subject to any such investigations, if investigations targeted at other companies result in determinations that practices we follow are unlawful, including practices related to use of machine- and customer-generated data or artificial intelligence, we could be required to change our products and services or alter our business operations, which could harm our business. Legislators and regulators also have proposed new laws and regulations intended to restrain the activities of technology companies. If such laws or regulations are enacted, they could have an impact on us, even if they are not intended to affect our company. In addition, the introduction of new products, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. The increased scrutiny of certain acquisitions in the technology industry also could affect our ability to enter into strategic transactions or to acquire other businesses. Compliance with new or modified laws and regulations could increase our cost of conducting the business, limit the opportunities to increase our revenue, or prevent us from offering products or services.

We also could be harmed by government investigations, litigation, or changes in laws and regulations directed at our business partners, or suppliers in the technology industry that have the effect of limiting our ability to do business with those entities or that affect the services we can obtain from them. There can be no assurance that our business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation or changes to laws and regulations in the future.

***We may need additional capital, and we cannot be sure that additional financing will be available.***

Historically, we have financed our operations and capital expenditures primarily through sales of our capital stock and debt securities that are convertible into our capital stock. In the future, we may raise additional capital through additional equity or debt financings to support our business growth, to respond to business opportunities, challenges, or unforeseen circumstances, or for other reasons. On an ongoing basis, we are evaluating sources of financing and may raise additional capital in the future. Our ability to obtain additional capital depends on our development efforts, business plans, investor demand, operating performance, the condition of the capital markets, and other factors. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of existing stockholders, and existing stockholders may experience dilution. Further, if we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, or unforeseen circumstances would be adversely affected.

Additionally, our subsidiaries in India are subject to Indian foreign exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. Limitations on raising foreign debt may have an adverse impact on our business growth, financial condition, results of operations, and cash flows.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative claim or cause of action brought on our behalf;
- any claim or cause of action for a breach of fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders;
- any claim or cause of action against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our bylaws (as each may be amended from time to time);
- any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (as each may be amended from time to time, including any right, obligation, or remedy thereunder);
- any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and
- any claim or cause of action against us or any of our current or former directors, officers, or other employees governed by the internal-affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction. In addition, our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act of 1933, as amended, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering.

While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Additionally, our amended and restated certificate of incorporation provides that any person or entity holding, owning, or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions.

***Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us, and the market price of our Class A common stock may be lower as a result.***

There are provisions in our amended and restated certificate of incorporation and amended and restated bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by our stockholders, such as:

- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- providing that directors may only be removed for cause;
- prohibiting cumulative voting for directors;
- requiring super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorizing the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; and
- our dual class common stock structure as described above.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibit a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Any provision in our amended and restated certificate of incorporation or our amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends for the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors. Accordingly, stockholders must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

***Catastrophic events may disrupt our business.***

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could harm our business. For example, the COVID-19 pandemic, including the reactions of governments, markets, and the general public, resulted in a number of adverse consequences for our business, operations, and results of operations, many of which were beyond our control. In the event of a major earthquake, monsoon, flood, hurricane, or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our products' development, lengthy interruptions in our products, breaches of data security, and loss of critical data, all of which would harm our business, results of operations, and financial condition. Acts of terrorism would also cause disruptions to the internet or the economy as a whole. In addition, the insurance we maintain would likely not be adequate to cover our losses resulting from disasters or other business interruptions. Our disaster recovery plan may not be sufficient to address all aspects or any unanticipated consequence or incident, and our insurance may not be sufficient to compensate us for the losses that could occur.

**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).

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
3.1	<a href="#">Amended and Restated Certificate of Incorporation.</a>	8-K	001-40806	3.1	September 24, 2021	
3.2	<a href="#">Amended and Restated Bylaws.</a>	S-1/A	333-259118	3.4	September 13, 2021	
10.1†	<a href="#">Non-Employee Director Compensation Program</a>					X
31.1	<a href="#">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.</a>					X
31.2	<a href="#">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.</a>					X
32.1#	<a href="#">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.</a>					X
32.2#	<a href="#">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.</a>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

† Indicates management contract or compensatory plan.

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



## SIGNATURES

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

### **Freshworks Inc.**

Date: May 4, 2023

By: /s/ Rathna Girish Mathrubootham  
Rathna Girish Mathrubootham  
Chief Executive Officer and Chairman (Principal Executive Officer)

Date: May 4, 2023

By: /s/ Tyler Sloat  
Tyler Sloat  
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

**Non-Employee Director Compensation Program**

The board of directors of Freshworks Inc. (referred to collectively herein as the “Company”, “our”, and “we”) adopted an amended and restated non-employee director compensation program, effective on January 1, 2023, pursuant to which each of our directors who is not an employee or consultant of our Company (each, an “eligible director”) will be eligible to receive compensation for service on our board of directors and committees of our board of directors.

Each eligible director will receive an annual cash retainer of \$34,500 for serving on our board of directors, and the lead independent director of the board of directors will receive an additional annual cash retainer of \$16,500 for his or her service. The chair of the audit committee of our board of directors (the “audit committee”) will be entitled to an additional annual cash retainer of \$20,000, the chair of the compensation committee of our board of directors (the “compensation committee”) will be entitled to an additional annual cash retainer of \$15,000 and the chair of the nominating and corporate governance committee of our board of directors (the “nominating and corporate governance committee”) will be entitled to an additional annual cash retainer of \$8,000. The members of the audit committee will be entitled to an additional annual cash retainer of \$10,000, the members of the compensation committee will be entitled to an additional annual cash retainer of \$7,500 and the members of the nominating and corporate governance committee will be entitled to an additional annual cash retainer of \$4,000; however, in each case such cash retainer is payable only to members who are not the chair of such committee. All annual cash compensation amounts will be payable in equal quarterly installments, in arrears, on or after the last day of each fiscal quarter in which the service occurred.

Each non-employee director may elect to receive fully vested shares of our Class A common stock in lieu of his or her annual cash retainer. Such shares are issued on a quarterly basis, in arrears, and the number of such shares is calculated by dividing (1) the aggregate amount of cash compensation otherwise payable to such director divided by (2) the closing sales price per share of the Class A common stock on the last day of the fiscal quarter in which the service occurred, rounded down to the nearest whole share.

Each new eligible director who joins our board of directors after this offering will be granted restricted stock units with an aggregate grant date fair value of \$335,000 under our 2021 Equity Incentive Plan (the “2021 Plan”). The restricted stock units will be granted on the next established grant date following the date the new eligible director joins our board of directors and will vest annually over a three-year period, subject to continued service as a director through each such vesting date.

On the next established grant date after each annual meeting of our stockholders, each eligible director who continues to serve as a director of our Company following the annual stockholder meeting will be granted restricted stock units with an aggregate grant date fair value of \$195,000 under our 2021 Plan. The shares shall vest in full on the first anniversary of the grant date; provided, however, that in the event a director is up for re-election at an annual meeting of stockholders and is not elected to continue serving

as a member of the board of directors at such annual meeting of stockholders, the shares shall be deemed fully vested on that annual meeting date.

In addition, we will reimburse eligible directors for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at and participation in board of directors and committee meetings.

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

By: /s/ Rathna Girish Mathrubootham

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

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

By: /s/ Tyler Sloat

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

**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 March 31, 2023 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: May 4, 2023

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.

**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 March 31, 2023 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: May 4, 2023

By: /s/ Tyler Sloat

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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.