

REFINITIV

# DELTA REPORT

## 10-Q

ZUO - ZUORA INC

10-Q - APRIL 30, 2024 COMPARED TO 10-Q - OCTOBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2575
CHANGES	217
DELETIONS	1251
ADDITIONS	1107

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **October 31, 2023** **April 30, 2024**  
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: 001-38451

**Zuora, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**101 Redwood Shores Parkway,  
Redwood City, California**

(Address of principal executive offices)

**20-5530976**

(I.R.S. Employer  
Identification Number)

**94065**

(Zip Code)

**(888) 976-9056**

(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 <b>on</b> <b>of</b> each exchange on which registered
<b>Class A common stock, par value \$0.0001 per share</b>	<b>ZUO</b>	<b>New York Stock Exchange</b>

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

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

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

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

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

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

As of **November 30, 2023** **April 30, 2024**, the number of shares of the Registrant's Class A common stock outstanding was **135.0 million** **139.7 million** and the number of shares of the Registrant's Class B common stock outstanding was **8.1 million** **8.4 million**.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q (Form 10-Q) to "Zuora," "Company," "our," "us," and "we" refer to Zuora, Inc. and, where appropriate, its consolidated subsidiaries. Our fiscal year end is January 31. References to "fiscal" followed by the year refer to the fiscal year ended January 31 for the referenced year.

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements contained in this Form 10-Q, other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. Words such as "believes," "may," "will," "determine," "estimates," "potential," "possible," "continues," "anticipates," "intends," "expects," "could," "would," "projects," "plans," "targets," "may affect," "seek," "future," "strategy," "likely," "should," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements contained in this Form 10-Q include, but are not limited to, statements about our expectations regarding:

- trends in revenue, cost of revenue, and gross margin;
- economic uncertainty and associated trends in macroeconomic conditions, as well as geopolitical conditions, including the effects of recession, economic downturns, inflation, rising interest rates, bank failures, debt ceiling negotiations, potential government shutdowns, and wars; conflicts;

- currency exchange rate fluctuations;
- trends and expectations in our operating and financial metrics, including customers with annual contract value (ACV) equal to or greater than \$250,000, dollar-based retention rate, annual recurring revenue (ARR) and ARR growth, and growth of and within our customer base;
- future acquisitions, the anticipated benefits of such acquisitions and our ability to integrate the operations and technology of any acquired company;
- industry trends, projected growth, or trend analysis, including the shift to subscription recurring revenue business models;
- our investments in our platform and the cost of third-party hosting fees;
- the expansion and functionality of our technology offering, including expected benefits of such products and technology, and our ability to further penetrate our customer base;
- trends in operating expenses, including research and development expense, sales and marketing expense, and general and administrative expense, and expectations regarding these expenses as a percentage of revenue;
- our liquidity being sufficient to meet our working capital and capital expenditure needs for at least the next 12 months;
- the impact of actions that we are taking to improve operational efficiencies and operating costs;
- legal proceedings, costs, including expectations regarding final court approval of the settlement of our shareholder litigation; prior workforce reductions;
- disruptions to the U.S. and international banking systems;
- our ability to comply with all governmental laws, regulations and other legal obligations, including those related to evolving regulation of artificial intelligence and machine learning; and
- other statements regarding our future operations, financial condition, prospects and business strategies, including our ability to sublease office space at our corporate headquarters in California. strategies.

Such forward-looking statements are based on our expectations as of the date of this filing and are subject to a number of risks, uncertainties and assumptions, including but not limited to, risks detailed in the "Risk Factors" section of this Form 10-Q. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the Securities and Exchange Commission (SEC) that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.

In light of these risks, uncertainties and assumptions, the future events and circumstances discussed in this Form

10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. In addition, the forward-looking statements in this Form 10-Q are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update such statements for any reason after the date of this Form 10-Q or to conform statements to actual results or revised expectations, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

ZUORA, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)  
(unaudited)

		October 31, 2023	January 31, 2023	April 30, 2024	January 31, 2024
Assets	Assets				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	\$414,832	\$203,239		
Short-term investments	Short-term investments	78,905	183,006		

Accounts receivable, net of allowance for credit losses of \$2,071 and \$4,001 as of October 31, 2023 and January 31, 2023, respectively		78,297	91,740
Accounts receivable, net of allowance for credit losses of \$2,173 and \$2,142 as of April 30, 2024 and January 31, 2024, respectively			
Deferred commissions, current portion	Deferred commissions, current portion	15,298	16,282
Prepaid expenses and other current assets	Prepaid expenses and other current assets	23,554	24,285
Total current assets	Total current assets	610,886	518,552
Property and equipment, net	Property and equipment, net	25,570	27,159
Operating lease right-of-use assets	Operating lease right-of-use assets	25,296	22,768
Purchased intangibles, net	Purchased intangibles, net	10,689	13,201
Deferred commissions, net of current portion	Deferred commissions, net of current portion	26,658	28,250
Goodwill	Goodwill	55,000	53,991
Other assets	Other assets	4,035	4,677
Total assets	Total assets	<u>\$758,134</u>	<u>\$668,598</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	\$ 465	\$ 1,073
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	27,810	103,678
Accrued employee liabilities	Accrued employee liabilities	30,992	30,483
Deferred revenue, current portion			
Deferred revenue, current portion			
Deferred revenue, current portion	Deferred revenue, current portion	158,407	167,145
Operating lease liabilities, current portion	Operating lease liabilities, current portion	7,396	9,240

Total current liabilities	Total current liabilities	225,070	311,619
Long-term debt	Long-term debt	356,645	210,403
Deferred revenue, net of current portion	Deferred revenue, net of current portion	1,719	442
Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	38,060	37,924
Deferred tax liabilities	Deferred tax liabilities	3,723	3,717
Other long-term liabilities	Other long-term liabilities	7,340	7,333
Total liabilities	Total liabilities	632,557	571,438

#### Commitments and contingencies (Note 13)

#### Commitments and contingencies (Note 14)

#### Stockholders' equity:

Class A common stock	Class A common stock	13	13
Class B common stock	Class B common stock	1	1
Additional paid-in capital	Additional paid-in capital	936,147	859,482
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(1,808)	(919)
Accumulated deficit	Accumulated deficit	(808,776)	(761,417)
Total stockholders' equity	Total stockholders' equity	125,577	97,160
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$758,134	\$668,598

See notes to unaudited condensed consolidated financial statements.

#### ZUORA, INC. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (in thousands, except per share data) (unaudited)

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2023	2022	2023	2022
Revenue:	Revenue:			
Revenue:				
Revenue:				
Subscription				
Subscription				
Subscription	Subscription	\$ 98,048	\$ 86,567	\$ 283,232
				\$ 248,878

Professional services	Professional services	11,801	14,505	37,760	44,168
Professional services	Professional services				
Professional services	Professional services				
Total revenue	Total revenue				
Total revenue	Total revenue				
Total revenue	Total revenue	109,849	101,072	320,992	293,046
Cost of revenue:	Cost of revenue:				
Cost of revenue:	Cost of revenue:				
Cost of revenue:	Cost of revenue:				
Subscription	Subscription				
Subscription	Subscription				
Subscription	Subscription	20,378	21,727	62,304	60,024
Professional services	Professional services	14,650	18,553	47,851	55,140
Professional services	Professional services				
Professional services	Professional services				
Total cost of revenue	Total cost of revenue				
Total cost of revenue	Total cost of revenue				
Total cost of revenue	Total cost of revenue	35,028	40,280	110,155	115,164
Gross profit	Gross profit	74,821	60,792	210,837	177,882
Gross profit	Gross profit				
Gross profit	Gross profit				
Operating expenses:	Operating expenses:				
Operating expenses:	Operating expenses:				
Research and development	Research and development	27,504	28,413	79,428	77,639
Research and development	Research and development				
Research and development	Research and development				
Sales and marketing	Sales and marketing				
Sales and marketing	Sales and marketing				
Sales and marketing	Sales and marketing	40,245	46,973	124,488	132,576
General and administrative	General and administrative	15,893	19,327	54,160	55,433
General and administrative	General and administrative				
General and administrative	General and administrative				
Total operating expenses	Total operating expenses				
Total operating expenses	Total operating expenses				
Total operating expenses	Total operating expenses	83,642	94,713	258,076	265,648
Loss from operations	Loss from operations	(8,821)	(33,921)	(47,239)	(87,766)
Loss from operations	Loss from operations				
Loss from operations	Loss from operations				
Change in fair value of debt conversion and warrant liabilities	Change in fair value of debt conversion and warrant liabilities				
Change in fair value of debt conversion and warrant liabilities	Change in fair value of debt conversion and warrant liabilities				
Change in fair value of debt conversion and warrant liabilities	Change in fair value of debt conversion and warrant liabilities	6,997	452	2,241	9,348
Interest expense	Interest expense	(5,610)	(4,444)	(14,604)	(10,647)
Interest expense	Interest expense				

Interest expense					
Interest and other income (expense), net					
Interest and other income (expense), net					
Interest and other income (expense), net	Interest and other income (expense), net	2,272	1,187	13,639	98
Loss before income taxes	Loss before income taxes	(5,162)	(36,726)	(45,963)	(88,967)
Loss before income taxes					
Loss before income taxes					
Income tax provision					
Income tax provision					
Income tax provision	Income tax provision	340	308	1,396	1,145
Net loss	Net loss	(5,502)	(37,034)	(47,359)	(90,112)
Net loss					
Net loss					
Comprehensive loss:					
Comprehensive loss:					
Comprehensive loss:	Comprehensive loss:				
Foreign currency translation adjustment	Foreign currency translation adjustment	(696)	(973)	(1,383)	(1,648)
Foreign currency translation adjustment					
Foreign currency translation adjustment					
Unrealized (loss) gain on available-for-sale securities					
Unrealized (loss) gain on available-for-sale securities					
Unrealized (loss) gain on available-for-sale securities	Unrealized (loss) gain on available-for-sale securities	(18)	(337)	494	(1,013)
Comprehensive loss	Comprehensive loss	\$ (6,216)	\$ (38,344)	\$ (48,248)	\$ (92,773)
Comprehensive loss					
Comprehensive loss					
Net loss per share, basic and diluted					
Net loss per share, basic and diluted					
Net loss per share, basic and diluted	Net loss per share, basic and diluted	\$ (0.04)	\$ (0.28)	\$ (0.34)	\$ (0.69)
Weighted-average shares outstanding used in calculating net loss per share, basic and diluted	Weighted-average shares outstanding used in calculating net loss per share, basic and diluted	141,488	132,579	138,789	130,461
Weighted-average shares outstanding used in calculating net loss per share, basic and diluted					
Weighted-average shares outstanding used in calculating net loss per share, basic and diluted					

See notes to unaudited condensed consolidated financial statements.

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

Three Months Ended April 30, 2024
Nine Months Ended October 31, 2023
Accumulated



		Class A		Class B		Additional	Other		Total
		Common Stock		Common Stock		Paid-in	Comprehensive	Accumulated	Stockholders'
		Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Equity
Balance, January 31, 2023		127,384	\$ 13	8,121	\$ 1	\$ 859,482	\$ (919)	\$ (761,417)	\$ 97,160
Three Months Ended April 30, 2024									
Three Months Ended April 30, 2024									
Accumulated									
Class A									
Class A									
Class A									
Class B									
Additional									
Other									
Total									
Common									
Stock									
Paid-in									
Comprehensive									
Accumulated									
Stockholders'									
Equity									
Balance, January 31, 2024									
Conversion of Class B common stock to Class A common stock	Conversion of Class B common stock to Class A common stock	220	—	(220)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	Issuance of common stock upon exercise of stock options	—	—	214	—	1,000	—	—	1,000
RSU and PSU releases		6,464	—	—	—	—	—	—	—
Issuance of common stock under the ESPP		911	—	—	—	4,765	—	—	4,765
RSU releases									
Stock-based compensation	Stock-based compensation	—	—	—	—	77,973	—	—	77,973
Reclassification of warrants, net of allocated debt issuance costs, to <i>Accrued expenses and other current liabilities</i>		—	—	—	—	(7,073)	—	—	(7,073)
Stock-based compensation									
Stock-based compensation									
Other comprehensive loss									
Other comprehensive loss									
Other comprehensive loss	Other comprehensive loss	—	—	—	—	—	(889)	—	(889)
Net loss	Net loss	—	—	—	—	—	—	(47,359)	(47,359)
Balance, October 31, 2023		134,979	\$ 13	8,115	\$ 1	\$ 936,147	\$ (1,808)	\$ (808,776)	\$ 125,577
Balance, April 30, 2024									

Three Months Ended October 31, 2023									
		Class A		Class B		Additional	Other	Accumulated	Total
		Common Stock		Common Stock		Paid-in	Comprehensive	Accumulated	Stockholders'
		Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Equity
Balance, July 31, 2023		132,448	\$ 13	8,119	\$ 1	\$ 917,081	\$ (1,094)	\$ (803,274)	\$ 112,727

Conversion of Class B common stock to Class A common stock	17	—	(17)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	13	—	38	—	—	38
RSU and PSU releases	2,514	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	26,101	—	—	26,101
Reclassification of warrants, net of allocated debt issuance costs, to <i>Accrued expenses and other current liabilities</i>	—	—	—	—	(7,073)	—	—	(7,073)
Other comprehensive loss	—	—	—	—	—	(714)	—	(714)
Net loss	—	—	—	—	—	—	(5,502)	(5,502)
Balance, October 31, 2023	134,979	\$ 13	8,115	\$ 1	\$ 936,147	\$ (1,808)	\$ (808,776)	\$ 125,577

Three Months Ended April 30, 2023								
	Class A		Class B		Additional	Accumulated	Total	
	Common Stock		Common Stock		Paid-in	Other	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Comprehensive Loss	Deficit	Equity
Balance, January 31, 2023	127,384	\$ 13	8,121	\$ 1	\$ 859,482	\$ (919)	\$ (761,417)	\$ 97,160
Conversion of Class B common stock to Class A common stock	96	—	(96)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	96	—	537	—	—	537
RSU releases	1,643	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	25,224	—	—	25,224
Other comprehensive income	—	—	—	—	—	57	—	57
Net loss	—	—	—	—	—	—	(19,295)	(19,295)
Balance, April 30, 2023	129,123	\$ 13	8,121	\$ 1	\$ 885,243	\$ (862)	\$ (780,712)	\$ 103,683

See notes to unaudited condensed consolidated financial statements.

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

Nine Months Ended October 31, 2022								
	Class A		Class B		Additional	Accumulated	Total	
	Common Stock		Common Stock		Paid-in	Other	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Comprehensive Loss	Deficit	Equity
Balance, January 31, 2022	119,008	\$ 12	9,048	\$ 1	\$ 734,149	\$ (108)	\$ (563,447)	\$ 170,607
Conversion of Class B common stock to Class A common stock	1,276	—	(1,276)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	49	—	349	—	2,097	—	—	2,097
RSU releases	4,418	1	—	—	—	—	—	1
Issuance of common stock under the ESPP	615	—	—	—	4,485	—	—	4,485
Charitable donation of stock	101	—	—	—	1,000	—	—	1,000
Stock-based compensation	—	—	—	—	80,045	—	—	80,045
Issuance of warrants	—	—	—	—	18,442	—	—	18,442
Other comprehensive loss	—	—	—	—	—	(2,661)	—	(2,661)
Net loss	—	—	—	—	—	—	(90,112)	(90,112)
Balance, October 31, 2022	125,467	\$ 13	8,121	\$ 1	\$ 840,218	\$ (2,769)	\$ (653,559)	\$ 183,904

Three Months Ended October 31, 2022									
	Class A		Class B		Additional	Accumulated		Total	
	Common Stock		Common Stock		Paid-in	Other	Accumulated	Stockholders'	
	Shares	Amount	Shares	Amount	Capital	Comprehensive Loss	Deficit	Equity	
Balance, July 31, 2022	123,833	\$ 12	8,122	\$ 1	\$ 810,636	\$ (1,459)	\$ (616,525)	\$ 192,665	
Conversion of Class B common stock to Class A common stock	111	—	(111)	—	—	—	—	—	
Issuance of common stock upon exercise of stock options	—	—	110	—	575	—	—	575	
RSU releases	1,523	1	—	—	—	—	—	1	
Stock-based compensation	—	—	—	—	29,007	—	—	29,007	
Other comprehensive loss	—	—	—	—	—	(1,310)	—	(1,310)	
Net loss	—	—	—	—	—	—	(37,034)	(37,034)	
Balance, October 31, 2022	125,467	\$ 13	8,121	\$ 1	\$ 840,218	\$ (2,769)	\$ (653,559)	\$ 183,904	

See notes to unaudited condensed consolidated financial statements.

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

		Nine Months Ended		Three Months Ended		
		October 31,		April 30,		
		2023	2022	2024		2023
Cash flows from operating activities:	Cash flows from operating activities:					
Net loss	Net loss	\$ (47,359)	\$ (90,112)			
Adjustments to reconcile net loss to net cash used in operating activities:						
Net loss						
Net loss						
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation, amortization and accretion						
Depreciation, amortization and accretion						
Depreciation, amortization and accretion	Depreciation, amortization and accretion	13,684	13,725			
Stock-based compensation	Stock-based compensation	77,973	80,045			
Provision for credit losses	Provision for credit losses	457	1,403			
Donation of common stock to charitable foundation		—	1,000			
Amortization of deferred commissions						
Amortization of deferred commissions						
Amortization of deferred commissions	Amortization of deferred commissions	14,415	14,250			
Reduction in carrying amount of right-of-use assets	Reduction in carrying amount of right-of-use assets	4,876	5,859			

Change in fair value of debt conversion and warrant liabilities	Change in fair value of debt conversion and warrant liabilities	(2,241)	(9,348)
Change in fair value of contingent consideration		—	(1,800)
Other			
Other			
Other	Other	2,630	575
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	12,476	5,666
Prepaid expenses and other assets	Prepaid expenses and other assets	878	(2,454)
Deferred commissions	Deferred commissions	(12,013)	(15,418)
Accounts payable	Accounts payable	(634)	3,415
Accrued expenses and other liabilities	Accrued expenses and other liabilities	(82,904)	2,819
Accrued employee liabilities	Accrued employee liabilities	509	282
Deferred revenue	Deferred revenue	(7,461)	(2,607)
Operating lease liabilities	Operating lease liabilities	(10,962)	(9,979)
Net cash used in operating activities		(35,676)	(2,679)
Net cash provided by operating activities			
Cash flows from investing activities:	Cash flows from investing activities:		
Purchases of property and equipment			
Purchases of property and equipment			
Purchases of property and equipment	Purchases of property and equipment	(6,913)	(8,471)
Purchases of short-term investments	Purchases of short-term investments	(66,665)	(205,464)
Purchases of short-term investments			
Purchases of short-term investments			
Maturities of short-term investments	Maturities of short-term investments	175,128	89,013
Cash paid for acquisition	Cash paid for acquisition	(4,524)	(41,000)

Net cash provided by (used in)			
investing activities		97,026	(165,922)
Net cash (used in) provided by investing activities			
<b>Cash flows from financing activities:</b>	<b>Cash flows from financing activities:</b>		
Proceeds from issuance of convertible senior notes, net of issuance costs		145,861	233,901
Proceeds from issuance of common stock upon exercise of stock options		1,000	2,097
Proceeds from issuance of common stock under employee stock purchase plan		4,765	4,485
Principal payments on debt		—	(1,480)
Proceeds from issuance of common stock upon exercise of stock options			
Proceeds from issuance of common stock upon exercise of stock options			
Net cash provided by financing activities			
Net cash provided by financing activities			
Net cash provided by financing activities		151,626	239,003
Effect of exchange rates on cash and cash equivalents	Effect of exchange rates on cash and cash equivalents	(1,383)	(1,648)
Net increase in cash and cash equivalents	Net increase in cash and cash equivalents	211,593	68,754
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	203,239	113,507
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	\$ 414,832	\$ 182,261
<b>Supplemental disclosure of non-cash investing and financing activities:</b>	<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Property and equipment purchases accrued or in accounts payable	Property and equipment purchases accrued or in accounts payable	\$ 68	\$ 64
Property and equipment purchases accrued or in accounts payable			
Property and equipment purchases accrued or in accounts payable			

See notes to unaudited condensed consolidated financial statements.

**ZUORA, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note 1. Overview and Basis of Presentation**

**Description of Business**

Zuora, Inc. was incorporated in the state of Delaware in 2006 and began operations in 2007. Zuora's fiscal year ends on January 31. Zuora is headquartered in Redwood City, California.

Zuora provides a cloud-based subscription management platform, leading monetization suite for a modern business, built to help companies monetize launch and scale new services and operate dynamic, recurring revenue customer-centric business models, including subscription and usage-based models. Our technology solutions enable companies across multiple industries and geographies to launch, manage build, run, and scale grow a subscription modern business, automating the quote-to-cash and revenue recognition quote-to-revenue process, including quoting, offers, billing, collections, and revenue recognition, and improving the subscriber experience. With Zuora's solutions, businesses can change pricing and packaging for products and services evolve how they go to grow and scale, market through a mix of monetization models, efficiently comply with revenue recognition standards, analyze customer data to optimize their subscription offerings, and build meaningful recurring relationships with their subscribers, customers.

On September 2, 2022, Zuora acquired Zephrr, a leading subscription experience platform used by global digital publishing and media companies. Additional information regarding the Zephrr acquisition is contained in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 January 31, 2024, filed with the Securities and Exchange Commission (SEC) on April 3, 2023 March 26, 2024 (Annual Report on Form 10-K).

References to "Zuora", "us", "our", or "we" in these notes refer to Zuora, Inc. and its subsidiaries on a consolidated basis.

**Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements, which include the accounts of Zuora and its wholly owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) and applicable rules and regulations of the SEC regarding interim financial reporting. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated balance sheet as of January 31, 2023 January 31, 2024 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by GAAP on an annual reporting basis. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the balance sheets, statements of comprehensive loss, statements of cash flows and statements of stockholders' equity for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year ending January 31, 2024 January 31, 2025 or any future period.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 January 31, 2024.

**Use of Estimates**

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the unaudited condensed consolidated financial statements, as well as reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Our most significant estimates and assumptions are related to revenue recognition with respect to the determination of the relative standalone selling prices for our services; the expected period of benefit over which deferred commissions are amortized; valuation of certain stock-based awards, and our convertible senior notes and warrants; warrants and short-term investments; estimates of allowance for credit losses; estimates of the fair value of goodwill and long-lived assets when evaluating for impairments and for assets acquired from acquisitions; useful lives of intangibles and other long-lived assets; and the valuation of deferred income tax assets and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ materially from these estimates under different assumptions or conditions.

**Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements**

Our significant accounting policies are discussed in Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements in our Annual Report on Form 10-K. There have been no significant changes to these policies during the nine three months ended October 31, 2023 April 30, 2024.

**Note 3. Investments**

The amortized costs, unrealized gains and losses and estimated fair values of our short-term investments were as follows (in thousands):

April 30, 2024		April 30, 2024			
Amortized Cost		Amortized	Gross	Gross Unrealized	Fair
		Cost	Unrealized Gains	Losses	Value
U.S. government securities					

Corporate bonds					
October 31, 2023					
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities		\$ 18,841	\$ —	\$ (23)	\$ 18,818
Corporate bonds		8,095	—	(11)	8,084
Commercial paper		52,051	—	(48)	52,003
Total short-term investments					
Total short-term investments	Total short-term investments	\$ 78,987	\$ —	\$ (82)	\$ 78,905
Total short-term investments					

January 31, 2023					
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
January 31, 2024					
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	U.S. government securities	\$ 34,865	\$ —	\$ (377)	\$ 34,488
Corporate bonds	Corporate bonds	41,974	—	(189)	41,785
Commercial paper	Commercial paper	102,720	—	—	102,720
Foreign government securities		4,023	—	(10)	4,013
Total short-term investments	Total short-term investments	\$183,582	\$ —	\$ (576)	\$183,006
Total short-term investments					
Total short-term investments					

There were no material realized gains or losses from sales of marketable securities that were reclassified out of accumulated other comprehensive loss into investment income during the three and nine months ended **October 31, 2023** **April 30, 2024** and **2022, 2023**. We had no significant unrealized losses on our available-for-sale securities as of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, and we do not expect material credit losses on our current investments in future periods. All securities had stated effective maturities of less than one year as of **October 31, 2023** **April 30, 2024**.

#### Note 4. Fair Value Measurements

The accounting guidance for fair value measurements establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

Level input	Input definition
Level 1	Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly.

The following tables summarize our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis (in thousands):

April 30, 2024						April 30, 2024			
Level 1						Level 1	Level 2	Level 3	Total
Cash									
equivalents:									
Money market funds									
Money market funds									
Money market funds									
U.S.									
government									
securities									
Total cash									
equivalents									
Short-term									
investments:									
U.S. government securities									
U.S. government securities									
U.S. government securities									
Corporate									
bonds									

  

October 31, 2023					
	Level 1	Level 2	Level 3	Total	
Cash equivalents:					
Money market funds	\$ 355,951	\$ —	\$ —	\$	355,951
Treasury bills	4,959	—	—		4,959
Total cash equivalents	\$ 360,910	\$ —	\$ —	\$	360,910
Short-term investments:					
U.S. government securities	\$ —	\$ 18,818	\$ —	\$	18,818
Corporate bonds	—	8,084	—		8,084
Commercial paper	—	52,003	—		52,003
Total short-term investments					
Total short-term investments					
Total short-term investments	\$ —	\$ 78,905	\$ —	\$	78,905
Liabilities:					
Warrant liability	\$ —	\$ —	\$ 8,592	\$	8,592
Warrant liability					
Warrant liability					
Debt conversion liability	—	—	5,773		5,773
Total liabilities	\$ —	\$ —	\$ 14,365	\$	14,365

  

January 31, 2023				
	Level 1	Level 2	Level 3	Total

  

January 31, 2024				January 31, 2024			
	Level 1			Level 1	Level 2	Level 3	Total
Cash equivalents:							



Money market funds	Money market funds	\$184,580	\$ —	\$ —	\$184,580
Money market funds					
Money market funds					
Corporate bonds					
Total cash equivalents					
Short-term investments:	Short-term investments:				
U.S. government securities					
U.S. government securities					
U.S. government securities	U.S. government securities	\$ —	\$ 34,488	\$ —	\$ 34,488
Corporate bonds	Corporate bonds	—	41,785	—	41,785
Commercial paper	Commercial paper	—	102,720	—	102,720
Foreign government securities		—	4,013	—	4,013
Total short-term investments					
Total short-term investments					
Total short-term investments	Total short-term investments	\$ —	\$183,006	\$ —	\$183,006
Liabilities:	Liabilities:				
Warrant liability	Warrant liability	\$ —	\$ —	\$2,829	\$ 2,829
Warrant liability					
Warrant liability					
Debt conversion liability					
Total liabilities					

Changes in our Level 3 fair value measurements were as follows (in thousands):

	Warrant Liability
Balance, January 31, 2023 January 31, 2024	\$ 2,829 11,992
Reclassification of warrants to <i>Accrued expenses and other current liabilities</i>	7,717
Change in fair value	(1,954) 7,108
Balance, October 31, 2023 April 30, 2024	\$ 8,592 19,100

Additional information about the Warrant liability, including the fair value inputs, is included in Note 17.10. *Warrants to Purchase Shares of Common Stock*.

	Debt Conversion Liability
Balance, January 31, 2023 January 31, 2024	\$ — 6,848
Initial measurement	6,060
Change in fair value	(287) 820
Balance, October 31, 2023 April 30, 2024	\$ 5,773 7,668

Additional information about the debt conversion liability, including the fair value inputs, is included in Note 9. *Debt*.

As of **October 31, 2023** **April 30, 2024**, the net carrying amount of the 2029 Notes, defined in *Note 9. Debt*, was **\$356.6 million** **\$362.3 million** and the estimated fair value was **\$260.8 million** **\$398.5 million**. The fair value of the 2029 Notes is classified as a Level 3 measurement.

The carrying amounts of certain financial instruments, including cash held in bank accounts, accounts receivable, accounts payable, and accrued expenses, approximate fair value due to their relatively short maturities.

#### Note 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

		October 31, 2023	January 31, 2023	April 30, 2024	January 31, 2024
Prepaid software subscriptions	Prepaid software subscriptions	\$ 7,718	\$ 7,533		
Taxes	Taxes	4,196	3,860		
Contract assets	Contract assets	2,995	1,325		
Prepaid insurance	Prepaid insurance	2,165	3,225		
Prepaid hosting costs	Prepaid hosting costs	1,257	871		
Deposits	Deposits	846	1,168		
Insurance payments receivable	Insurance payments receivable	—	2,000		
Other	Other				
Other	Other				
Other	Other	4,377	4,303		
Total	Total	\$ 23,554	\$ 24,285		

#### Note 6. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

		October 31, 2023	January 31, 2023	April 30, 2024	January 31, 2024
Software	Software	\$ 34,639	\$ 32,778		
Leasehold improvements	Leasehold improvements	14,529	15,254		
Computer equipment	Computer equipment	11,093	11,780		
Furniture and fixtures	Furniture and fixtures	4,243	3,793		
		64,504	63,605		
		68,267			
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization	(38,934)	(36,446)		
Total	Total	\$ 25,570	\$ 27,159		

The following table summarizes the capitalized internal-use software costs included within the *Software* line item in the table above (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
	Three Months Ended April 30,			



Customer relationships	Customer relationships	5,187	(3,646)	1,541
Trade name	Trade name	1,709	(1,144)	565
Total	Total	<u>\$24,893</u>	<u>\$ (14,204)</u>	<u>\$10,689</u>

	January 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 19,571	\$ (9,194)	\$ 10,377
Customer relationships	5,187	(3,225)	1,962
Trade name	1,709	(847)	862
Total	<u>\$ 26,467</u>	<u>\$ (13,266)</u>	<u>\$ 13,201</u>

During the three and nine months ended October 31, 2023, we recorded an impairment charge of \$0.4 million related to intellectual property assets acquired in 2021 which is included in *Cost of subscription revenue* in the accompanying unaudited condensed consolidated statements of comprehensive loss. No similar impairment charges were recorded in the three and nine months ended October 31, 2022.

	January 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 17,997	\$ (9,782)	\$ 8,215
Customer relationships	5,187	(3,786)	1,401
Trade name	1,709	(1,243)	466
Total	<u>\$ 24,893</u>	<u>\$ (14,811)</u>	<u>\$ 10,082</u>

Purchased intangible assets are being amortized to *Cost of subscription revenue* in the accompanying unaudited condensed consolidated statements of comprehensive loss on a straight-line basis over their estimated useful lives ranging from three to ten years. The following table summarizes amortization expense recognized on purchased intangible assets during the periods indicated (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2023	2022	2023	2022
Purchased intangible assets amortization expense	\$ 607	\$ 586	\$ 2,083	\$ 1,512

	Three Months Ended	
	April 30,	
	2024	2023
Purchased intangible assets amortization expense	\$ 608	\$ 738

Estimated future amortization expense for purchased intangible assets as of **October 31, 2023** April 30, 2024 was as follows (in thousands):

Fiscal year ending:	Fiscal year ending:	
2024 (remainder of the year)		\$ 607
2025		2,343
2025 (remainder of the year)		
2025 (remainder of the year)		
2025 (remainder of the year)		
2026	2026	1,874
2027	2027	1,561
2028	2028	1,561
2029		
Thereafter	Thereafter	2,743
Total estimated amortization expense	Total estimated amortization expense	<u>\$ 10,689</u>

The following table represents the changes to goodwill (in thousands):

		Goodwill	
Balance, <b>January 31, 2023</b>	January 31, 2024	\$	53,991 56,657
Effects of foreign currency translation			499 (510)
Other			510
Balance, <b>October 31, 2023</b>	April 30, 2024	\$	55,000 56,147

#### Note 8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

		October 31, 2023	January 31, 2023	April 30, 2024	January 31, 2024
Warrant liability	Warrant liability	\$ 8,592	\$ 2,829		
Debt conversion liability	Debt conversion liability	5,773	—		
Accrued outside services and consulting					
Accrued taxes	Accrued taxes	4,305	4,088		
Accrued hosting and third-party licenses	Accrued hosting and third-party licenses	2,800	4,374		
Accrued outside services and consulting		2,138	3,507		
Accrued interest	Accrued interest	1,492	850		
Litigation settlement		—	75,000		
Accrued contingent consideration		—	4,420		
Other accrued expenses					
Other accrued expenses					
Other accrued expenses	Other accrued expenses	2,710	8,610		
Total	Total	\$ 27,810	\$ 103,678		

#### Note 9. Debt

##### 2029 Notes

On March 24, 2022 (Initial Closing Date), we issued convertible senior notes (Initial Notes) in the aggregate principal amount of \$250.0 million pursuant to an agreement with certain entities affiliated with Silver Lake Alpine II, L.P. (Silver Lake). On September 22, 2023 (Subsequent Closing Date), we issued additional convertible senior notes in the aggregate principal amount of \$150.0 million (Additional Notes and together with the Initial Notes, the "2029 Notes") under the agreement with Silver Lake. The 2029 Notes represent senior unsecured obligations of Zuora.

As a condition of the agreement with Silver Lake, we also issued warrants to Silver Lake to acquire up to 7.5 million shares of Class A common stock (Warrants). Refer to [Note 17.10. Warrants to Purchase Shares of Common Stock](#) for more information.

The purchase price of the 2029 Notes is 98% of the par value. The 2029 Notes bear interest at a rate of 3.95% per annum, payable quarterly in cash, provided that we have the option to pay interest in kind at 5.50% per annum. The 2029 Notes will mature on March 31, 2029, subject to earlier conversion or repurchase. The 2029 Notes are convertible at Silver Lake's option into shares of our Class A common stock at an initial conversion rate of 50.0 shares per \$1,000 principal amount (\$20.00 per share, representing 20.0 million shares of Class A common stock), subject to customary anti-dilution adjustments. Any 2029 Notes that are converted in connection with a "make-whole fundamental change" are subject to an increase in the conversion rate under certain circumstances. The term "make-whole fundamental change" is defined in the indenture for the 2029 Notes, and generally refers to a "fundamental change" including a change in control of Zuora that meets certain specifications or the termination of trading of Zuora's stock on the New York Stock

On the Initial Closing Date, we concluded that the conversion option contained in the 2029 Notes qualified for a scope exception from derivative accounting and therefore was not bifurcated and accounted for separately from the Initial Notes. On the Subsequent Closing Date, we reassessed the classification of the conversion option and

threshold. As a result of our sequencing policy described in *Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements* in our Annual Report on Form 10-K, we separated a portion of the conversion option representing approximately 1.4 million shares of Class A common stock issuable upon conversion of the 2029 Notes valued at \$6.1 million as of the Subsequent Closing Date from the 2029 Notes and recorded a debt conversion liability at fair value on bifurcation, with an offset to the carrying amount of the 2029 Notes. For further information on our derivative financial instruments policy, refer to *Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements* in our Annual Report on Form 10-K. We will reassess the classification of the debt conversion liability in future reporting periods to determine if any further change is required.

With certain exceptions, upon a “fundamental change” of Zuora, the holders of the 2029 Notes may require that we repurchase all or part of the principal amount of the 2029 Notes at a purchase price equal to the principal amount and accrued but unpaid interest outstanding, plus the total sum of all remaining scheduled interest payments through the remainder of the term of the 2029 Notes, at the 5.50% paid in kind interest rate. At any time on or after the fifth anniversary of the Initial Closing Date, March 24, 2027, the holders of the 2029 Notes may require that we repurchase all or part of the principal amount of the Notes at a purchase price equal to the principal amount plus accrued interest through the date of repurchase. Upon certain events of default, the 2029 Notes may be declared due and payable (or will automatically become so under certain events of default), at a purchase price equal to the principal amount plus accrued interest through the date of repurchase. We have no right to redeem the 2029 Notes prior to maturity.

We incurred an additional \$4.1 million of debt issuance **Deferred loan costs** associated with the issuance of the Additional Notes. The 2029 Notes' debt issuance costs, debt discount, and associated derivatives are being amortized to interest expense using the effective interest rate method over the five year expected life of the 2029 Notes (representing the period from the contract date to the earliest noncontingent put date of **May 24, 2027**) and reflects **March 24, 2027**, reflecting an effective interest rate of 7.6%.

	<b>October 31, 2023</b>	<b>January 31, 2023</b>		
	April 30, <b>2024</b>			
			<b>April 30, 2024</b>	<b>January 31, 2024</b>
	2029 Notes principal	\$400,000		
	Unamortized debt issuance costs, discount, and associated derivatives	(43,355)		
	Unamortized deferred loan costs			
	Carrying value	\$356,645		
		\$210,403		

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Three Months Ended April 30,				
Three Months Ended April 30,				

		Three Months Ended April 30,					
		2024		2024		2023	
Contractual interest expense	Contractual interest expense	\$3,111	\$2,469	\$8,049	\$5,953		
Amortization of debt discount		2,443	1,967	6,441	4,634		
Amortization of deferred loan costs							
Total interest expense	Total interest expense	\$5,554	\$4,436	\$14,490	\$10,587		

We used a binomial lattice model to value the bifurcated derivatives contained in the 2029 Notes. ASC 815 does not permit an issuer to account separately for individual derivative terms and features embedded in hybrid financial instruments that require bifurcation and liability classification as derivative financial instruments. Rather, such terms and features must be combined together, and fair-valued as a single, compound embedded derivative. We selected a binomial lattice model to value the compound embedded derivative because we believe this technique is reflective of all significant assumptions that market participants would likely consider in negotiating the transfer of the 2029 Notes. Such assumptions include, among other inputs, stock price volatility, risk-free rates, credit risk assumptions, early redemption and conversion assumptions, and the potential for future adjustment of the conversion rate due to triggering events. Additionally, there are other embedded features contained in the 2029 Notes requiring bifurcation, other than the conversion option, which had no value as of October 31, 2023, the Subsequent Closing Date, and the Initial Closing Date due to management's estimates of the likelihood of certain events, but that may have value in the future should those estimates change.

The debt conversion liability's fair value was measured using a binomial lattice model using the following key inputs:

		October 31, 2023		September 22, 2023			
		April 30, 2024				April 30, 2024	
Fair value of common stock	Fair value of common stock	\$7.41	\$8.44	Fair value of common stock	\$9.86	\$9.14	
Conversion price	Conversion price	\$20.00	\$20.00	Conversion price	\$20.00	\$20.00	
Expected volatility	Expected volatility	47.5%	47.5%	Expected volatility	50.0%	47.5%	
Risk-free interest rate	Risk-free interest rate	4.7%	4.5%	Risk-free interest rate	5.0%	3.8%	
Corporate bond yield	Corporate bond yield	21.4%	20.5%	Corporate bond yield	19.9%	19.2%	
Coupon interest rate	Coupon interest rate	3.95%	3.95%	Coupon interest rate	3.95%	3.95%	

We recognized a gain/loss on the revaluation of the debt conversion liability summarized in of \$0.8 million during the table below (in thousands) three months ended April 30, 2024, which is included in *Change in fair value of debt conversion and warrant liabilities* in the accompanying unaudited condensed consolidated statements of comprehensive loss. Refer to Note 4. *Fair Value Measurements* for the fair value of the debt conversion liability.

		Three Months Ended October 31,		Nine Months Ended October 31,	
		2023	2022	2023	2022
Change in fair value of debt conversion liability		\$287	\$—	\$287	\$—

#### Debt Agreement

We have a \$30.0 million revolving credit facility under an agreement with Silicon Valley Bank, a division of First-Citizens Bank & Trust. This credit facility matures in October 2025. The interest rate under the credit facility is equal to the prime rate published by the Wall Street Journal minus 1.00% 1.0%. We had not drawn down any amounts under the facility as of October 31, 2023 April 30, 2024.

**Note 10. Deferred Revenue Warrants to Purchase Shares of Common Stock**

In connection with the issuance of the 2029 Notes (discussed *Note 9. Debt*), we issued to Silver Lake Warrants to acquire up to 7.5 million shares of Class A common stock, exercisable for a period of approximately seven years from the Initial Closing Date, which are comprised of (i) Warrants to purchase up to 2.5 million shares of Class A common stock are exercisable at \$20.00 per share, (ii) Warrants to purchase up to 2.5 million shares of Class A common stock are exercisable at \$22.00 per share, and **Performance Obligations** (iii) Warrants to purchase up to 2.5 million shares of Class A common stock are exercisable at \$24.00 per share. In addition, Silver Lake can elect to exercise the Warrants on a net-exercise basis. In the event of a "make-whole fundamental change" (as defined in the Form of Warrant, which has a similar definition as in the indenture, described above in *Note. 9 Debt*), the number of shares issuable by Zuora upon exercise of the Warrants may be increased, and the exercise price for the Warrants adjusted. As of April 30, 2024, all 7.5 million Warrants were outstanding.

On the Initial Closing Date, we classified a portion of the Warrants as a current liability due to certain settlement provisions in the Warrants. Under certain make-whole fundamental change scenarios, we would be required to, at our option, either (i) obtain shareholder approval prior to issuing 20% or more of our outstanding common stock or (ii) pay cash in lieu of delivering any shares at or above such 20% threshold. As a result, we concluded that approximately 2.8 million Warrants valued at \$12.0 million as of the Initial Closing Date did not qualify for equity classification under ASC 815-40, pursuant to our sequencing policy. As a result of the issuance of the Additional Notes, we reassessed the classification of the Warrants and concluded that no Warrants qualified for equity classification under ASC 815-40. Accordingly, we reclassified 4.7 million Warrants valued at \$7.7 million from equity to liability as of the Subsequent Closing Date. We will reassess the classification of the Warrant liability in future reporting periods to determine if any change is required.

The liability-classified warrants' fair value was measured using a combination of Black-Scholes option pricing and Monte Carlo Simulation models that take into consideration probability factors of the various outcomes related to the exercise terms of the warrants using the following inputs:

	April 30, 2024	January 31, 2024
Fair value of common stock	\$ 9.86	\$ 9.14
Exercise price	\$20.00 - \$24.00	\$20.00 - \$24.00
Expected volatility <sup>1</sup>	50.0 %	41.8 %
Expected term (in years)	4.4	5.2
Risk-free interest rate	4.6 %	3.9 %
Expected dividend yield	—	—

(1) During the quarter ended April 30, 2024, we changed our approach for estimating our stock price volatility to use only Zuora's historical stock price trading data. Zuora now has sufficient historical trading data to fair value its financial instruments and we believe it better reflects the expected future trading volatility of the company's outstanding common stock. In previous periods, we used an average volatility based on historical trading data of Zuora and a group of similar publicly traded companies.

The following We recognized losses and gains on the revaluation of the liability-classified Warrants, summarized in the table summarizes revenue recognized during the period that was below (in thousands), which are included in *Change in fair value of debt conversion and warrant liabilities* in the deferred revenue balance at accompanying unaudited condensed consolidated statements of comprehensive loss. Refer to *Note 4. Fair Value Measurements* for the beginning fair value of each respective period (in thousands): the liability-classified Warrants.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Revenue recognized from deferred revenue	\$ 80,407	\$ 75,929	\$ 153,729	\$ 137,257

As of October 31, 2023, total remaining non-cancellable performance obligations under our subscription contracts with customers was approximately \$554.2 million and we expect to recognize revenue on approximately 54% of these remaining performance obligations over the next 12 months. Remaining performance obligations under our professional services contracts as of October 31, 2023 were not material.

	Three Months Ended April 30,	
	2024	2023
(Loss) gain on change in fair value of warrant liability	\$ (7,108)	\$ 30

**Note 11. Deferred Revenue and Performance Obligations**

The following table summarizes revenue recognized during the period that was included in the deferred revenue balance at the beginning of each respective period (in thousands):

	Three Months Ended April 30,	
	2024	2023



Revenue recognized from deferred revenue	\$	87,622	\$	78,653
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As of April 30, 2024, total remaining non-cancellable performance obligations under our subscription contracts with customers was approximately \$580.7 million and we expect to recognize revenue on approximately 56% of these remaining performance obligations over the next 12 months. Remaining performance obligations under our professional services contracts as of April 30, 2024 were not material.

## Note 12. Geographical Information

### Disaggregation of Revenue

Revenue by country, based on the customer's address at the time of sale, was as follows (in thousands):

		Three Months Ended October 31,				Nine Months Ended October 31,				Three Months Ended April 30,			
		2023		2022		2023		2022		2024		2023	
		\$		\$		\$		\$		\$		\$	
United States	United States	70,312		66,902		205,067		191,129		68,683		68,683	
Others	Others	39,537		34,170		115,925		101,917		41,086		41,086	
Total	Total	109,849		101,072		320,992		293,046		109,769		109,769	
Percentage of revenue by geographic area:	Percentage of revenue by geographic area:												
United States	United States	64	%	66	%	64	%	65	%	63	%	63	%
Other	Other	36	%	34	%	36	%	35	%	37	%	37	%

Other than the United States, no individual country exceeded 10% of total revenue for the three and nine months ended October 31, 2023, April 30, 2024 and 2022, 2023.

### Long-lived assets

Long-lived assets, which consist of property and equipment, net, deferred commissions, purchased intangible assets, net and operating lease right-of-use assets by geographic location, are based on the location of the legal entity that owns the asset. As of October 31, 2023, April 30, 2024 and January 31, 2023, January 31, 2024, no individual country exceeded 10% of total long-lived assets other than the United States.

## Note 12. 13. Leases

We have non-cancelable operating leases for our offices located in the U.S. and abroad. As of October 31, 2023, April 30, 2024, these leases expire on various dates between 2024, 2026 and 2030. Certain lease agreements include one or more options to renew, with renewal terms that can extend the lease up to seven years. We have the right to exercise or forego the lease renewal options. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of our long-term operating leases and related operating lease cost were as follows (in thousands):

		October 31, 2023		January 31, 2023			
		April 30, 2024				April 30, 2024	
						January 31, 2024	
Operating lease right-of-use assets	Operating lease right-of-use assets	\$	25,296	\$	22,768		
Operating lease liabilities, current portion	Operating lease liabilities, current portion	\$	7,396	\$	9,240		
Operating lease liabilities, current portion	Operating lease liabilities, current portion						
Operating lease liabilities, current portion	Operating lease liabilities, current portion						

Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	38,060	37,924
Total operating lease liabilities	Total operating lease liabilities	\$ 45,456	\$ 47,164

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating lease cost <sup>(1)</sup>	2,117	2,337	6,526	7,589

	Three Months Ended April 30,	
	2024	2023
	\$	\$
Operating lease cost <sup>(1)</sup>	2,009	2,224

(1) Includes costs related to our short-term operating leases and is net of sublease income as follows (in thousands):

		Three Months Ended October 31,		Nine Months Ended October 31,	
		2023	2022	2023	2022
	Three Months Ended April 30,				
	Three Months Ended April 30,				
	Three Months Ended April 30,				
	2024				
Short-term operating lease costs	Short-term operating lease costs	\$ 146	\$ 118	\$ 387	\$ 317
Sublease income	Sublease income	\$ (98)	\$ —	\$ (293)	\$ —

The future maturities of long-term operating lease liabilities for each fiscal year were as follows (in thousands):

		Maturities of Operating Lease Liabilities
2024 (remainder of the year)		\$ 2,377
2025		8,766
		Maturities of Operating Lease Liabilities
2025 (remainder of the year)		
2026	2026	8,694
2027	2027	7,947
2028	2028	7,863
2029		
Thereafter	Thereafter	17,484

Total lease payments	Total lease payments	53,131
Less imputed interest	Less imputed interest	(7,675)
Present value of lease liabilities	Present value of lease liabilities	\$ 45,456

Other supplemental information related to our long-term operating leases includes the following (dollars in thousands):

	October 31, 2023	January 31, 2023		April 30, 2024	January 31, 2024
Weighted-average remaining operating lease term	6.1 years	6.7 years	Weighted-average remaining operating lease term	5.8 years	5.9 years
Weighted-average operating lease discount rate	5.1 %	4.8 %	Weighted-average operating lease discount rate	4.9 %	5.1 %

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
<b>Supplemental Cash Flow Information</b>				
Cash paid for amounts included in the measurement of lease liabilities:				
Cash paid for operating leases	\$ 3,143	\$ 2,639	\$ 10,671	\$ 9,461
New right-of-use assets obtained in exchange for lease liabilities:				
Operating leases obtained	\$ 427	\$ 799	\$ 7,400	\$ 799

### Note 13. Commitments and Contingencies

#### Letters of Credit

In connection with the execution of certain facility leases, we had bank issued irrevocable letters of credit for \$4.5 million as of October 31, 2023 and January 31, 2023. No draws have been made under such letters of credit.

#### Legal Proceedings

From time to time, we may be subject to legal proceedings, as well as demands, claims and threatened litigation. The outcomes of legal proceedings and other contingencies are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular period. Regardless of the outcome, litigation can have an adverse impact on our business because of defense and settlement costs, diversion of management resources, and other factors. Other than the matters described below,

	Three Months Ended April 30,	
	2024	2023
<b>Supplemental Cash Flow Information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid for operating leases	\$ 3,121	\$ 3,490
New right-of-use assets obtained in exchange for lease liabilities:		
Operating leases obtained	\$ —	\$ 6,973

we are not currently party to any legal proceeding that we believe could have a material adverse effect on our business, operating results, cash flows, or financial condition should such litigation or claim be resolved unfavorably.

### Securities Class Action Litigation

In June 2019, a putative securities class action lawsuit alleging violations of the federal securities laws was filed in the U.S. District Court for the Northern District of California naming Zuora and certain of its officers as defendants, seeking unspecified compensatory damages, fees and costs. In November 2019, the lead plaintiff filed a consolidated amended complaint asserting the same claims, which was captioned *Roberts v. Zuora, Inc.*, Case No. 3:19-CV-03422 (hereinafter referred to as "Federal Class Action").

In April and May 2020, two putative securities class action lawsuits alleging violations of the federal securities laws were filed and later consolidated in the Superior Court of the State of California, County of San Mateo, naming as defendants Zuora and certain of its current and former officers, its directors and the underwriters of Zuora's initial public offering (IPO), and seeking unspecified damages and other relief. In July 2020, the court entered an order consolidating the two lawsuits, and the lead plaintiffs filed a consolidated amended complaint asserting the same claims. The consolidated class action litigation was captioned *Olsen v. Zuora, Inc.*, Case No. 20-civ-1918 (hereinafter referred to as "State Class Action").

In March 2023, Zuora entered into an agreement to settle the Federal Class Action without any admission or concession of wrongdoing or liability by Zuora or the named defendants. In June 2023, Zuora reached an agreement to settle the State Class Action without any admission or concession of wrongdoing or liability by Zuora or the named defendants, and agreed to resolve the litigation as part of a combined resolution with the Federal Class Action. In August 2023, the combined settlement of the Federal Class Action and State Class Action received preliminary court approval, and Zuora paid an aggregate of \$75.5 million of which \$7.2 million was funded by Zuora's insurance proceeds. The hearing for final approval of the settlement is scheduled for January 2024.

### Derivative Litigation

In September 2019, two stockholder derivative lawsuits were filed and later consolidated in the U.S. District Court for the Northern District of California against certain of Zuora's directors and executive officers and naming Zuora as a nominal defendant. In May and June 2020, two additional stockholder derivative lawsuits were filed and later consolidated in the U.S. District Court for the District of Delaware against certain of Zuora's directors and current and former executive officers. In February and March 2021, two additional stockholder derivative lawsuits were filed and later consolidated in Delaware Chancery Court alleging similar claims based on the same underlying events. These derivative actions alleged claims based on events similar to those in the securities class actions and asserted causes of action against the individual defendants for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and for alleged violation of federal securities laws.

In February 2023, Zuora reached an agreement to settle the derivative litigation matters without any admission or concession of wrongdoing or liability by Zuora or the named defendants. In connection with the settlement, Zuora agreed to adopt and implement certain corporate governance modifications and pay \$2.0 million for certain plaintiffs' attorney fees, which amount was paid by Zuora's insurance carriers in August 2023. The settlement received final court approval in September 2023.

### Other Contractual Obligations

As of **October 31, 2023** April 30, 2024, we have a contractual obligation to make \$6.9 million in purchases had \$1.8 million of cloud computing services provided by one of our vendors by September 2024.

## Note 14. Income Taxes

The following table reflects our income tax provision, pretax loss and effective tax rate undiscounted future payments for the periods presented (in thousands, except percentages):

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2023	2022	2023	2022
Loss before income taxes	\$ (5,162)	\$ (36,726)	\$ (45,963)	\$ (88,967)
Income tax provision	340	308	1,396	1,145
Effective tax rate	(6.6)%	(0.8)%	(3.0)%	(1.3)%

The effective tax rates differ an operating lease that has not yet commenced, which is excluded from the statutory rates primarily as a result of providing no benefit on pretax losses incurred tables above and is not yet recognized in our consolidated balance sheets. This operating lease is expected to commence in the United States, as we have determined that the benefit second quarter of the losses is not more likely than not to be realized, fiscal year beginning February 1, 2024 and has a lease term of three years.

## Note 14. Commitments and Contingencies

### Letters of Credit

In connection with the execution of certain facility leases, we had bank issued irrevocable letters of credit for \$4.5 million as of April 30, 2024 and January 31, 2024. No draws have been made under such letters of credit.

### Legal Proceedings

From time to time, we may be subject to legal proceedings, as well as demands, claims and threatened litigation. The outcomes of legal proceedings and other contingencies are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular period. Regardless of the outcome, litigation can have an adverse impact on our business because of defense and settlement costs, diversion of management resources, and other factors. As of the date of this Quarterly Report on Form 10-Q, we are not currently party to any legal proceeding that we believe could have a material adverse effect on our business, operating results, cash flows, or financial condition should such litigation or claim be resolved unfavorably.

### Other Contractual Obligations

As of April 30, 2024, we have a contractual obligation to make \$2.7 million in purchases of cloud computing services provided by one of our vendors by September 2024.

### Note 15. Income Taxes

The following table reflects our income tax provision, pretax loss and effective tax rate for the periods presented (in thousands, except percentages):

	Three Months Ended	
	April 30,	
	2024	2023
Loss before income taxes	\$ (13,356)	\$ (18,826)
Income tax provision	352	469
Effective tax rate	(2.6)%	(2.5)%

The effective tax rates differ from the statutory rates primarily as a result of providing no benefit on pretax losses incurred in the United States, as we have determined that the benefit of the losses is not more likely than not to be realized.

### Note 16. Stockholders' Equity

#### Preferred Stock

As of October 31, 2023 April 30, 2024, Zuora had authorized 10 million shares of preferred stock, each with a par value of \$0.0001 per share. As of October 31, 2023 April 30, 2024, no shares of preferred stock were issued and outstanding.

#### Common Stock

Prior to Zuora's IPO, which was effective in April 2018, all shares of common stock then outstanding were reclassified into Class B common stock. Shares offered and sold in the IPO consisted of newly authorized shares of Class A common stock. Holders of Class A and Class B common stock are entitled to one vote per share and ten votes per share, respectively, and the shares of Class A common stock and Class B common stock are identical, except for voting rights and the right to convert Class B common stock to Class A common stock.

As of October 31, 2023 April 30, 2024, Zuora had authorized 500 million shares of Class A common stock and 500 million shares of Class B common stock, each with a par value of \$0.0001 per share. As of October 31, 2023 April 30, 2024, 135.0 million 139.7 million shares of Class A common stock and 8.1 million 8.4 million shares of Class B common stock were issued and outstanding.

#### Accumulated Other Comprehensive Loss

Components of accumulated other comprehensive loss were as follows (in thousands):

	Foreign Currency Translation	Unrealized Loss on Available-	Total
	Adjustment	for-Sale Securities	
Balance, January 31, 2023	\$ (343)	\$ (576)	\$ (919)
Foreign currency translation adjustment	(1,383)	—	(1,383)
Unrealized gain on available-for-sale securities	—	494	494
Balance, October 31, 2023	\$ (1,726)	\$ (82)	\$ (1,808)

	Foreign Currency Translation	Unrealized Gain (Loss) on	Total
	Adjustment	Available-for-Sale Securities	
Balance, January 31, 2024	\$ (1,015)	\$ 156	\$ (859)
Foreign currency translation adjustment	(247)	—	(247)
Unrealized loss on available-for-sale securities	—	(487)	(487)
Balance, April 30, 2024	\$ (1,262)	\$ (331)	\$ (1,593)

There were no material reclassifications out of accumulated other comprehensive loss during the three and nine months ended October 31, 2023 April 30, 2024. Additionally, there was no material tax impact on the amounts presented.

### Note 16. Employee Stock Plans

#### Equity Incentive Plans

Our 2018 Equity Incentive Plan (2018 Plan) authorizes the award of stock options, restricted stock awards, stock appreciation rights, restricted stock units (RSUs), performance awards, and stock bonuses. As of October 31, 2023, approximately 26.8 million shares of Class A common stock were reserved and available for issuance under the 2018 Plan. In addition, as of October 31, 2023, 4.0 million stock options and RSUs exercisable or settleable for Class B common stock were outstanding in the aggregate under our 2006 Stock Plan (2006 Plan) and 2015 Equity Incentive Plan (2015 Plan), which plans were terminated in May 2015 and April 2018, respectively. The 2006 Plan and 2015 Plan continue to govern outstanding equity awards granted thereunder.

### Stock Options

The following tables summarize stock option activity and related information (in thousands, except weighted-average exercise price, weighted-average grant date fair value and average remaining contractual term):

	Shares Subject To Outstanding Stock Options	Weighted-Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance, January 31, 2023	7,761	\$ 9.28	5.0	\$ 14,505
Exercised	(215)	4.57		
Cancelled	(775)	13.28		
Forfeited	(183)	12.67		
Balance, October 31, 2023	6,588	8.87	4.0	12,205
Exercisable as of October 31, 2023	3,017	3.36	1.7	12,205
Vested and expected to vest as of October 31, 2023	6,563	\$ 8.85	3.9	\$ 12,205

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023 <sup>1</sup>	2022 <sup>1</sup>	2023 <sup>1</sup>	2022
Weighted-average grant date fair value per share of options granted during each respective period	\$ —	\$ —	\$ —	\$ 5.54
Aggregate intrinsic value of options exercised during each respective period	\$ 73	\$ 356	\$ 1,104	\$ 2,386

(1) No stock options were granted during the three and nine months ended October 31, 2023, or the three months ended October 31, 2022.

### RSUs

The following table summarizes RSU activity and related information (in thousands, except weighted-average grant date fair value):

	Number of RSUs Outstanding	Weighted-Average Grant Date Fair Value
Balance, January 31, 2023	12,504	\$ 12.98
Granted	7,785	8.12
Vested	(6,224)	11.87
Forfeited	(1,398)	12.92
Balance, October 31, 2023	12,667	\$ 10.54

### Performance Stock Units (PSUs)

In March 2022, July 2023, and September 2023, we granted PSUs to certain executives under our 2018 Plan. Each grant is divided into two or three tranches, each tranche having pre-established performance targets that if met, as determined quarterly by our Compensation Committee, would result in the shares attributable to such tranche being earned, subject to a service-based vesting condition. The shares attributable to unearned tranches will be forfeited on January 31, 2025 if the applicable performance criteria for such tranches are not met. Stock-based compensation expense is recognized if it is probable the performance targets (for each respective tranche) will be met during the performance period. As we previously disclosed in our Form 10-Q for the three months ended April 30, 2023 filed with the SEC on June 1, 2023, we modified the performance targets associated with the PSUs that were granted in March 2022. This resulted in \$9.6 million of incremental compensation expense that is being recognized over the remaining vesting periods of the awards.

The following table summarizes PSU activity and related information (in thousands, except weighted-average grant date fair value):

	Number of PSUs Outstanding	Weighted-Average Grant Date Fair Value
Balance, January 31, 2023	2,905	\$ 15.21
Granted	420	10.24

Vested	(240)	15.21
Forfeited	(525)	15.21
Balance, October 31, 2023	2,560	\$ 14.40

#### 2018 Employee Stock Purchase Plan

Our 2018 Employee Stock Purchase Plan (ESPP) is broadly available to our employees in the United States and certain other countries in which we operate. A total of 4.9 million shares of Class A common stock were reserved and available for issuance under the ESPP as of October 31, 2023. The ESPP provides for 24-month offering periods beginning June 15 and December 15 of each year, and each offering period contains four six-month purchase periods. On each purchase date, ESPP participants will purchase shares of our Class A common stock at a price per share equal to 85% of the lesser of (1) the fair market value of the Class A common stock on the offering date or (2) the fair market value of the Class A common stock on the purchase date.

We estimated the fair value of ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions:

	Three and Nine Months Ended October 31, 2023	Three and Nine Months Ended October 31, 2022
Fair value of common stock	\$ 11.55	\$ 8.91
Expected volatility	37.1% - 45.7%	44.4% - 52.3%
Expected term (in years)	0.5 - 2.0	0.5 - 2.0
Risk-free interest rate	3.0% - 4.8%	2.3% - 3.2%
Expected dividend yield	— %	— %

#### Stock-Based Compensation Expense

Stock-based compensation expense was recorded in the following cost and expense categories in the accompanying unaudited condensed consolidated statements of comprehensive loss (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Cost of subscription revenue	\$ 2,350	\$ 2,437	\$ 6,889	\$ 6,517
Cost of professional services revenue	2,747	3,479	8,997	10,186
Research and development	7,165	7,536	20,661	20,967
Sales and marketing	8,191	10,188	24,857	27,603
General and administrative	5,648	5,367	16,569	14,772
Total stock-based compensation expense	\$ 26,101	\$ 29,007	\$ 77,973	\$ 80,045

As of October 31, 2023, unrecognized compensation costs related to unvested equity awards and the weighted-average remaining period over which those costs are expected to be recognized were as follows (dollars in thousands):

	Stock Options	RSUs	PSUs	ESPP
Unrecognized compensation costs	\$ 2,197	\$ 114,874	\$ 21,049	\$ 5,722
Weighted-average remaining recognition period	1.2 years	1.9 years	1.3 years	0.8 years

#### Note 17. Warrants to Purchase Shares Employee Stock Plans

##### Equity Incentive Plans

Our 2018 Equity Incentive Plan (2018 Plan) authorizes the award of Common Stock

In connection with the issuance of stock options, restricted stock awards, stock appreciation rights, restricted stock units (RSUs), performance awards, and stock bonuses. As of the 2029 Notes (discussed Note 9. Debt) April 30, 2024, we issued to Silver Lake Warrants to acquire up to 7.5 approximately 31.7 million shares of Class A common stock were reserved and available for issuance under the 2018 Plan. In addition, as of April 30, 2024, 3.0 million stock options and RSUs exercisable or settleable for Class B common stock were outstanding in the aggregate under our 2006 Stock Plan (2006 Plan) and 2015 Equity Incentive Plan (2015 Plan), which plans were terminated in May 2015 and April 2018, respectively. The 2006 Plan and 2015 Plan continue to govern outstanding equity awards granted thereunder.

##### Stock Options

The following tables summarize stock option activity and related information (in thousands, except weighted-average exercise price, weighted-average grant date fair value and average remaining contractual term):

	Shares Subject To Outstanding Stock Options	Weighted-Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance, January 31, 2024	6,083	\$ 9.21	3.6	\$ 15,984
Exercised	(508)	3.29		
Forfeited	(145)	10.36		
Balance, April 30, 2024	5,430	9.73	3.6	15,127
Exercisable as of April 30, 2024	3,012	4.84	2.1	15,127
Vested and expected to vest as of April 30, 2024	5,422	\$ 9.73	3.6	\$ 15,127

	Three Months Ended April 30,	
	2024:	2023:
Weighted-average grant date fair value per share of options granted during each respective period	\$ —	\$ —
Aggregate intrinsic value of options exercised during each respective period	\$ 3,062	\$ 379

(1) No stock options were granted during the three months ended April 30, 2024 or 2023.

### RSUs

The following table summarizes RSU activity and related information (in thousands, except weighted-average grant date fair value):

	Number of RSUs Outstanding	Weighted-Average Grant Date Fair Value
Balance, January 31, 2024	11,686	\$ 10.24
Granted	5,780	9.57
Vested	(1,562)	11.11
Forfeited	(800)	10.55
Balance, April 30, 2024	15,104	\$ 9.88

### Performance Stock Units (PSUs)

We have granted PSUs to certain executives and other employees under our 2018 Plan as described below.

In March 2022 (which were subsequently amended in fiscal 2024), July 2023 and September 2023, we granted PSUs to certain executives. These PSUs are divided into two or three tranches, each tranche having pre-established performance targets that if met, as determined quarterly by our Compensation Committee, would result in the shares attributable to such tranche being earned, subject to a service-based vesting condition. The shares attributable to unearned tranches will expire on January 31, 2025 if the applicable performance criteria for such tranches are not met. As we previously disclosed in our Form 10-Q for the three months ended April 30, 2023 filed with the SEC on June 1, 2023, we modified the performance targets associated with these PSUs that were granted in March 2022. This resulted in \$9.6 million of incremental compensation expense that was being recognized over the remaining vesting periods of the awards. During the three months ended April 30, 2024, we deemed these outstanding PSUs to be improbable of vesting and we recorded an adjustment to reverse all \$3.4 million of previously recognized expense in the current quarter.

In April 2024, we granted 300,000 PSUs to our CEO. The PSUs are divided into two tranches, each tranche having a pre-established stock price target that if met, as determined by the Chair of our Compensation Committee, would result in the shares attributable to such tranche being earned and then subject to vesting on a graded basis over a period of approximately seven four years from the Initial Closing Date, grant date, subject to continued service. The shares attributable to unearned tranches will expire on April 28, 2028, if the applicable stock price targets for such tranches are not met. We used a Monte Carlo simulation to estimate the fair value of the award and the date when the stock price target date is expected to be met for each tranche of the award. We are recognizing the related stock-based compensation expense for each tranche using a graded attribution method over four years following the grant date.

In April 2024, we also granted 34,000 PSUs to certain non-executive employees. The fair value was equal to the closing price of our common stock on the date of grant. The PSUs are subject to pre-established performance targets that if met as of January 31, 2025 will be earned and subsequently vest on March 31, 2025, subject to continued service through such vesting date, or will otherwise expire unvested. We are recognizing the related stock-based compensation expense using the straight-line attribution method over the expected vesting period of the award.

The following table summarizes PSU activity and related information (in thousands, except weighted-average grant date fair value):

	Number of PSUs Outstanding	Weighted-Average Grant Date Fair Value
Balance, January 31, 2024	2,310	\$ 14.31
Granted	334	8.04



Forfeited	(120)	9.15
Balance, April 30, 2024	2,524	\$ 13.72

### 2018 Employee Stock Purchase Plan

Our 2018 Employee Stock Purchase Plan (ESPP) is broadly available to our employees in the United States and certain other countries in which (i) Warrants to purchase up to 2.5 million we operate. A total of 5.8 million shares of Class A common stock are exercisable at \$20.00 per share, (ii) Warrants to were reserved and available for issuance under the ESPP as of April 30, 2024. The ESPP provides for 24-month offering periods beginning June 15 and December 15 of each year, and each offering period contains four six-month purchase up to 2.5 million periods. On each purchase date, ESPP participants will purchase shares of our Class A common stock are exercisable at \$22.00 a price per share and (iii) Warrants equal to purchase up to 2.5 million shares 85% of the lesser of (1) the fair market value of the Class A common stock are exercisable at \$24.00 per share. In addition, Silver Lake can elect to exercise on the Warrants offering date or (2) the fair market value of the Class A common stock on a net-exercise basis. In the event of a "make-whole fundamental change" (as defined purchase date).

### Stock-Based Compensation Expense

Stock-based compensation expense was recorded in the Form of Warrant, which has a similar definition as in the indenture, described above in Note. 9 Debt), the number of shares issuable by Zuora upon exercise of the Warrants may be increased, following cost and the exercise price for the Warrants adjusted. As of October 31, 2023, all 7.5 million Warrants were outstanding.

On the Initial Closing Date, we classified a portion of the Warrants as a current liability due to certain settlement provisions in the Warrants. Under certain make-whole fundamental change scenarios, we would be required to, at our option, either (i) obtain shareholder approval prior to issuing 20% or more of our outstanding common stock or (ii) pay cash in lieu of delivering any shares at or above such 20% threshold. As a result, we concluded that approximately 2.8 million Warrants valued at \$12.0 million as of the Initial Closing Date did not qualify for equity classification under ASC 815-40, pursuant to our sequencing policy. As a result of the issuance of the Additional Notes, we reassessed the classification of the Warrants and concluded that no Warrants qualified for equity classification under ASC 815-40. Accordingly, we reclassified 4.7 million Warrants valued at \$7.7 million from equity to liability as of the Subsequent Closing Date. We will reassess the classification of the Warrant liability in future reporting periods to determine if any change is required.

The liability-classified warrants' fair value was measured using the Black-Scholes option pricing model using the following inputs:

	October 31, 2023	September 22, 2023	January 31, 2023
Fair value of common stock <sup>1</sup>	\$ 7.41	\$ 8.44	\$ 7.24
Exercise price	\$20.00 - \$24.00	\$20.00 - \$24.00	\$22.00 - \$24.00
Expected volatility	42.4 %	42.2 %	41.2 %
Expected term (in years)	5.4	5.5	6.2
Risk-free interest rate	4.8 %	4.6 %	3.6 %
Expected dividend yield	—	—	—

(1) The fair value of common stock as of January 31, 2023 was adjusted to reflect certain restrictions on the Warrants. Such restrictions expired in September 2023.

We recognized gains on the revaluation of the liability-classified Warrants, summarized in the table below (in thousands), which are included in Change in fair value of debt conversion and warrant liabilities expense categories in the accompanying unaudited condensed consolidated statements of comprehensive loss. Refer loss (in thousands):

	Three Months Ended April 30,	
	2024	2023
Cost of subscription revenue	\$ 1,583	\$ 2,359
Cost of professional services revenue	2,038	3,021
Research and development	5,903	6,744
Sales and marketing	5,475	7,977
General and administrative	3,462	5,123
Total stock-based compensation expense	\$ 18,461	\$ 25,224

As of April 30, 2024, unrecognized compensation costs related to Note 4. Fair Value Measurements for unvested equity awards and the fair value of the liability-classified Warrants, weighted-average remaining period over which those costs are expected to be recognized were as follows (dollars in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Change in fair value of warrant liability	\$ 6,710	\$ 452	\$ 1,954	\$ 9,348

	Stock Options	RSUs	PSUs	ESPP
Unrecognized compensation costs	\$ 1,008	\$ 124,874	\$ 24,841	\$ 2,759
Weighted-average remaining recognition period	0.9 years	2.0 years	0.9 years	0.6 years

#### Note 18. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share for the periods presented (in thousands, except per share data):

		Three Months Ended October 31,		Nine Months Ended October 31,		Three Months Ended April 30,	
		2023	2022	2023	2022	2024	2023
Numerator:	Numerator:						
Net loss	Net loss	\$ (5,502)	\$ (37,034)	\$ (47,359)	\$ (90,112)		
Net loss							
Net loss							
Denominator:	Denominator:						
Weighted- average common shares outstanding, basic and diluted	Weighted- average common shares outstanding, basic and diluted	141,488	132,579	138,789	130,461		
Weighted-average common shares outstanding, basic and diluted							
Weighted-average common shares outstanding, basic and diluted							
Net loss per share, basic and diluted	Net loss per share, basic and diluted	\$ (0.04)	\$ (0.28)	\$ (0.34)	\$ (0.69)		

Since we were in a net loss position for all periods presented, basic net loss per share attributable to common stockholders is the same as diluted net loss per share, as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share

calculations because they would be anti-dilutive were as follows (in thousands):

		October 31,		April 30,	
		2023	2022	2024	2023
2029 Notes conversion	2029 Notes conversion	20,000	12,500		
Unvested RSUs issued and outstanding	Unvested RSUs issued and outstanding	12,667	14,234		
Warrants	Warrants	7,500	7,500		
Issued and outstanding stock options	Issued and outstanding stock options	6,588	7,875		
Unvested PSUs issued and outstanding	Unvested PSUs issued and outstanding	2,560	2,905		
Shares committed under ESPP	Shares committed under ESPP	598	439		
Total	Total	49,913	45,453		

## Note 19. Subsequent Event

### Togai Acquisition

On May 9, 2024, we acquired Togai Inc. (Togai), a privately held metering and rating solution company for a purchase price of \$26.0 million, with \$21.0 million in cash paid at closing. This acquisition enables us to bring new technologies to our customers focused on metering and rating their usage information. We are currently in the process of valuing the assets acquired and liabilities assumed pursuant to the transaction. The accounting for this transaction is incomplete as of the date of our filing.

## 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 appearing elsewhere in this Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the Securities and Exchange Commission (SEC) on April 3, 2023 (Annual Report on Form 10-K). As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" under Part II, Item 1A in this Form 10-Q and in our Annual Report on Form 10-K. Our fiscal year ends on January 31.

### Overview

Zuora provides a leading monetization suite that serves as an intelligent hub for modern businesses business, built to monetize help companies launch and orchestrate the complete quote-to-cash scale new services and revenue recognition process, operate dynamic, customer-centric business models, including subscription and usage-based models. Our technology solutions enable companies across multiple industries and geographies to launch, manage build, run, and scale grow a subscription modern business, automating the quote-to-cash and revenue recognition quote-to-revenue process, including quoting, offers, billing, collections, and revenue recognition, and improving the subscriber experience, recognition. With Zuora's solutions, businesses can change pricing and packaging for products and services evolve how they go to grow and scale, market through a mix of monetization models, efficiently comply with revenue recognition standards, analyze customer data to optimize their recurring revenue, including subscription and consumption-based models, offerings, and build meaningful recurring relationships with their subscribers, customers.

Many of today's enterprise software systems manage their quote-to-cash and revenue recognition quote-to-revenue process using software built for one-time transactions. These systems were not designed for the dynamic, ongoing nature of subscription, usage, recurring revenue, usage-based, or consumption-based hybrid pricing models, and can be extremely difficult to configure. In traditional product-based businesses, quote-to-cash and revenue recognition was quote-to-revenue is a linear process – a customer orders a product, is billed for that product, payment is collected, and the revenue is recognized. These legacy product-based systems were not specifically designed to handle the complexities of managing ongoing customer relationships and recurring revenue models commonly found in subscription businesses, including billing proration, revenue recognition and reporting, and calculating the lifetime value of the customer. Using legacy or homegrown software to build a subscription recurring revenue business often results in inefficient processes with prolonged and complex manual downstream work, hard-coded customizations, and a proliferation of stock-keeping units (SKUs).

However, enterprise business models are inherently dynamic, with multiple interactions, flexible pricing, global complexities, and continuously-evolving continuously evolving relationships and events. The capabilities to launch, price, and bill for products, facilitate and record cash receipts, process and recognize revenue, and analyze data to drive key decisions are mission critical and particularly complex for companies that operate at a global scale. As a result, as companies launch, grow, and scale their businesses, they often conclude that legacy systems are inadequate. This is where Zuora comes in.

Our vision is "The World Subscribed" -- the idea that one day every company will be a part of the Subscription Economy. Our focus has been on providing the technology our customers need to thrive as a customer-centric, recurring revenue businesses.

Our solutions include Zuora Billing, Zuora Revenue, Zuora Payments, Zephrr, Zuora Platform Zuora Billing, Zuora Revenue, Zuora Payments, Zephrr, and other software products that support and expand upon these core offerings. Our software helps companies analyze data – including information such as which customers are delivering the most recurring revenue, or which segments are showing the highest churn thus - enabling customers to make informed decisions for about their recurring revenue business monetization strategy and quickly implement changes such as launching new services, updating pricing (consumption, (usage, time, or outcome based), delivering new offerings, or making other changes to their customers' experience. We also have a large ecosystem of global partners that can assist our customers with additional monetization strategies and services throughout the monetization subscription journey.

Companies in a variety of industries - technology, manufacturing, media and entertainment, telecommunications, and many others - are using our solutions to monetize, scale and adapt to a world that is increasingly choosing ongoing digital services.

### subscription-based offerings.

## Fiscal Third First Quarter Financial Performance Summary and Business Highlights:

Our financial performance for the three months ended October 31, 2023 April 30, 2024 compared to the three months ended October 31, 2022 April 30, 2023 reflects the following:

- Subscription revenue was \$98.0 million \$99.0 million, an increase of \$11.5 million \$9.2 million, or 13% 10%; and total revenue was \$109.8 million, an increase of \$8.8 million \$6.7 million, or 9%. On a constant currency basis, subscription revenue increased 14%; and total revenue increased 9% 6%.
- Gross profit was \$74.8 million \$74.7 million, or 68% of total of revenue, compared to \$60.8 million \$65.7 million, or 60% 64% of total revenue.

- Loss from operations was **\$8.8 million** **\$4.0 million**, or **8%** **4%** of total revenue, compared to a loss of **\$33.9 million** **\$20.2 million**, or **34%** **20%** of total revenue, an improvement in operating margin of **26** **16** percentage points year-over-year.
- We closed **seven** **two** deals in the quarter ended **October 31, 2023** **April 30, 2024** with ACV equal to or greater than **\$500,000**, **two** **\$1.0 million**.
- We announced the planned acquisition of **which had ACV greater than \$1.0 million**. Togai, a leading metering and rating solution, to enhance Zuora's usage-based offerings. The acquisition closed in early May.

Key Operational and Financial Metrics

We monitor the following key operational and financial metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions:

		October 31,		April 30,	
		2023	2022	2024	2023
Customers with ACV equal to or greater than \$250,000	Customers with ACV equal to or greater than \$250,000	453	420		
Dollar-based retention rate	Dollar-based retention rate	108 %	109 %	104 %	108 %
Annual recurring revenue growth	Annual recurring revenue growth	13 %	19 %	8 %	15 %
		Dollar-based retention rate		Annual recurring revenue growth	

Customers with Annual Contract Value Equal to or Greater than \$250,000

We believe our ability to enter **into larger and expand** contracts is indicative of broader adoption of our solutions by larger organizations. It also reflects our ability to expand our revenue footprint within our current customer base. We define ACV as the subscription revenue we would **contractually** expect to recognize from that customer over the next twelve months, assuming no increases or reductions in their subscriptions. We define the number of customers at the end of any particular period as the number of parties or organizations that have entered into a distinct subscription contract with us and for which the term has not ended. Each party with whom we have entered into a distinct subscription contract is considered a unique customer, and in some cases, there may be more than one customer within a single organization. **We had 453** **The number of** customers with ACV equal to or greater than \$250,000 **increased to 451** as of **October 31, 2023** **April 30, 2024**, and **includes the impact of some customers that downsized below the ACV threshold during the first quarter of fiscal 2025 as a result of the macroeconomic environment impact on their business, as compared to 436 as of April 30, 2023.** We expect this metric to **continue to increase over** **be relatively flat or decrease slightly in** the **remainder of the fiscal year. near term.**

Dollar-Based Retention Rate

We believe our dollar-based retention rate is a key measure of our ability to retain and expand revenue from our customer base over time. We calculate our dollar-based retention rate as of a period end by starting with the sum of the ACV from all customers as of twelve months prior to such period end, or prior period ACV. We then calculate the sum of the ACV from these same customers as of the current period end, or current period ACV. The current period ACV includes any upsells and also reflects contraction or attrition over the trailing twelve months, but excludes revenue from new customers added in the current period. We then divide the current period ACV by the prior period ACV to arrive at our dollar-based retention rate. Our dollar-based retention rate was **104%** as of **April 30, 2024**, as compared to **108%** as of **October 31, 2023** **April 30, 2023.** **The decrease was primarily driven by one large customer churn in the fourth quarter of fiscal 2024 and foreign exchange headwinds.** While the dollar-based retention rate can fluctuate in any particular quarter, we expect it to remain relatively consistent **for in** the **remainder of the fiscal year. near term.**

Annual Recurring Revenue

ARR represents the annualized recurring value at the time of initial booking or contract modification for all active subscription contracts at the end of a reporting period. ARR excludes the value of non-recurring revenue such

as professional services revenue as well as contracts with new customers with a term of less than one year. ARR should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items. Our ARR was **\$396.0 million** **\$404.4 million** as of **October 31, 2023** **April 30, 2024**, compared to **\$350.7 million** **\$373.9 million** as of **October 31, 2022** **April 30, 2023**, representing an increase of **13%** **8%** year-over-year. **We expect our** While the ARR year-over-year growth rate can fluctuate in any particular period and may decline slightly over the next two quarters, we expect it to **decrease** remain relatively consistent or slightly **for** **increase in** the **remainder of the fiscal year. near term.**

Components of Our Results of Operations

## Revenue

**Subscription revenue.** Subscription revenue consists of fees for access to, and use of, our products, as well as customer support and recurring services. We generate subscription fees pursuant to non-cancelable subscription agreements with terms that typically range from one to **three five** years. Subscription revenue is primarily based on fees to access our services platform over the subscription term. We typically invoice customers in advance in either annual or quarterly installments. Customers can also elect to purchase additional volume blocks or products during the term of the contract. We typically recognize subscription revenue ratably over the term of the subscription period, beginning on the date that access to our platform is provisioned, which is generally on or about the date the subscription agreement is signed. **We expect our subscription revenue to increase over time as a percentage of total revenue as we continue to execute our strategy of executing lighter, faster deals, while maintaining our focus on large and rapid-growth enterprises.**

**Professional services revenue.** Professional services revenue typically consists of fees for implementation services in connection with helping our customers deploy, configure, and optimize the use of our solutions. These services include systems integration, data migration, and process enhancement. Professional services projects generally take three to twelve months to complete. Once the contract is signed, we generally invoice for professional services on a time and materials basis, although we occasionally engage in fixed-price service

engagements and invoice for those based upon agreed milestone payments. We recognize revenue as professional services are performed for time and materials engagements and on a proportional performance method when the professional services are performed under fixed fee engagements. While we will continue to utilize our own **expert services** team, we expect to continue to leverage our strategic partners for professional services implementations, and as a result we expect our professional services revenue to **remain consistent or** decrease over time as a percentage of total revenue.

## Deferred Revenue

Deferred revenue consists of customer billings in advance of revenue being recognized from our subscription and support services and professional services arrangements. We primarily invoice our customers for subscription services arrangements annually, **quarterly, semi-annually, or semi-annually quarterly** in advance. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue, current portion, and the remaining portion is recorded as deferred revenue, net of current portion in our unaudited condensed consolidated balance sheets.

## Overhead Allocation and Employee Compensation Costs

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. As such, allocated shared costs are reflected in each cost of revenue and operating **expenses expense** category.

Employee compensation costs consist of salaries, bonuses, commissions, benefits, and stock-based compensation.

## Cost of Revenue, Gross Profit and Gross Margin

**Cost of subscription revenue.** Cost of subscription revenue consists primarily of costs related to hosting our platform and providing customer support. These costs include third-party hosting fees, employee compensation costs associated with maintaining our cloud-based infrastructure, amortization expenses associated with capitalized internal-use software and purchased technology, allocated overhead, software and maintenance costs, and outside services associated with the delivery of our subscription services. We intend to continue to invest in our platform infrastructure, including third-party hosting capacity, and support organizations. However, the level and timing of such investment in these areas **could may** fluctuate and affect our cost of subscription revenue in the future.

**Cost of professional services revenue.** Cost of professional services revenue consists primarily of costs related to the deployment of our solutions. These costs include employee compensation costs for our professional services team, allocated overhead, travel costs, and costs of outside services associated with supplementing our internal staff. We believe that investment in our systems integrator partner network will lead to total margin improvement **however costs may fluctuate** in the near **term as we shift deployments to our partner network. term.**

**Gross profit and gross margin.** Our gross profit and gross margin may fluctuate from period to period as our revenue fluctuates, and as a result of the timing and amount of our investments to expand hosting capacity, including through third-party cloud providers, amortization expenses associated with our capitalized internal-use software and purchased technology, and our continued efforts to build our cloud infrastructure, support, and professional services teams. **Over time, we expect our subscription gross margin to remain relatively consistent and professional services gross margin to increase slightly.**

## Operating Expenses

**Research and development.** Research and development expense consists primarily of employee compensation costs, allocated overhead, and travel costs. We capitalize research and development costs associated with the development of internal-use software and we generally amortize these costs over a period of three years, **primarily** into the cost of subscription revenue. All other research and development costs are expensed as incurred. We believe that continued investment in our platform is important for our growth, and **as such, we expect will continue to focus investments in key areas of our platform. While** research and development expense **can fluctuate in any particular quarter, we expect it to** remain relatively consistent **or decrease** as a percentage of total revenue **for the remainder of the current fiscal year. over time.**

**Sales and marketing.** Sales and marketing expense consists primarily of employee compensation costs, including the amortization of deferred commissions related to our sales personnel, allocated overhead, costs of general marketing and promotional activities, and travel costs. Commission costs that are incremental to obtaining a contract are amortized in sales and marketing expense over the period of benefit, which is expected to be five years. **While we We** expect to continue to make investments as we expand our customer

acquisition and retention efforts, we expect our efforts. While sales and marketing expense can fluctuate in any particular quarter, we expect it to remain relatively consistent or decrease as a percentage of total revenue for the remainder of the current fiscal year. over time.

**General and administrative.** General and administrative expense consists primarily of employee compensation costs, allocated overhead, and travel costs for finance, accounting, legal, human resources, and recruiting personnel. In addition, general and administrative expense includes non-personnel costs, such as accounting fees, legal fees, charitable contributions, asset impairments, and all other supporting corporate expenses not allocated to other departments. We expect to incur ongoing costs as a result of operating as a public company, including costs related to compliance and reporting obligations of public companies, and continued investment to support our growing operations. As a result, While general and administrative expense can fluctuate in any particular quarter, we expect our general and administrative expense to remain relatively consistent decrease as a percentage of total revenue for the remainder of the current fiscal year. over time as we continue to be disciplined in our approach to controlling our costs.

#### Other income and expenses

Other income and expenses primarily consists of fair value adjustments related to the debt conversion and warrant liabilities; amortization of discount and debt issuance deferred loan costs and contractual interest on our convertible senior notes; interest income from our cash and cash equivalents and short-term investments; and foreign exchange fluctuations.

#### Income Tax Provision

Income tax provision consists primarily of income taxes related to foreign and state jurisdictions in which we conduct business. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is more likely than not that the deferred assets will not be utilized.

### Results of Operations

The following tables set forth our unaudited condensed consolidated results of operations for the periods presented in dollars and as a percentage of our total revenue (in thousands):

		Three Months Ended October 31,		Nine Months Ended October 31,		Three Months Ended April 30,	
		2023	2022	2023	2022	2024	2023
Revenue:	Revenue:						
Subscription	Subscription	\$ 98,048	\$ 86,567	\$ 283,232	\$ 248,878		
Subscription	Subscription						
Professional services	Professional services	11,801	14,505	37,760	44,168		
Total revenue	Total revenue	109,849	101,072	320,992	293,046		
Cost of revenue:	Cost of revenue:						
Subscription	Subscription						
Subscription	Subscription						
Subscription	Subscription	20,378	21,727	62,304	60,024		
Professional services	Professional services	14,650	18,553	47,851	55,140		
Total cost of revenue	Total cost of revenue	35,028	40,280	110,155	115,164		
Gross profit	Gross profit	74,821	60,792	210,837	177,882		
Operating expenses:	Operating expenses:						
Research and development	Research and development						
Research and development	Research and development	27,504	28,413	79,428	77,639		
Sales and marketing	Sales and marketing	40,245	46,973	124,488	132,576		
General and administrative	General and administrative	15,893	19,327	54,160	55,433		
Total operating expenses	Total operating expenses	83,642	94,713	258,076	265,648		
Loss from operations	Loss from operations	(8,821)	(33,921)	(47,239)	(87,766)		

Change in fair value of debt conversion and warrant liabilities	Change in fair value of debt conversion and warrant liabilities	6,997	452	2,241	9,348
Interest expense	Interest expense	(5,610)	(4,444)	(14,604)	(10,647)
Interest and other income (expense), net	Interest and other income (expense), net	2,272	1,187	13,639	98
Loss before income taxes	Loss before income taxes	(5,162)	(36,726)	(45,963)	(88,967)
Income tax provision	Income tax provision	340	308	1,396	1,145
Net loss	Net loss	\$ (5,502)	\$ (37,034)	\$ (47,359)	\$ (90,112)

		Three Months Ended October 31,		Nine Months Ended October 31,		Three Months Ended April 30,			
		2023	2022	2023	2022			2024	2023
Revenue:	Revenue:								
Subscription	Subscription	89 %	86 %	88 %	85 %				
Subscription	Subscription								
Subscription	Subscription							90 %	87 %
Professional services	Professional services	11	14	12	15				
Total revenue	Total revenue	100	100	100	100				
Cost of revenue:	Cost of revenue:								
Subscription	Subscription								
Subscription	Subscription								
Subscription	Subscription	19	21	19	20				
Professional services	Professional services	13	18	15	19				
Total cost of revenue	Total cost of revenue	32	40	34	39				
Gross profit	Gross profit	68	60	66	61				
Operating expenses:	Operating expenses:								
Research and development	Research and development								
Research and development	Research and development								
Research and development	Research and development	25	28	25	26				
Sales and marketing	Sales and marketing	37	46	39	45				
General and administrative	General and administrative	14	19	17	19				
Total operating expenses	Total operating expenses	76	94	80	91				
Loss from operations	Loss from operations	(8)	(34)	(15)	(30)				
Change in fair value of debt conversion and warrant liabilities	Change in fair value of debt conversion and warrant liabilities	6	—	1	3				
Interest expense	Interest expense	(5)	(4)	(5)	(4)				



Interest and other income (expense), net	Interest and other income (expense), net	2	1	4	—			
Loss before income taxes	Loss before income taxes	(5)	(36)	(14)	(30)			
Income tax provision	Income tax provision	—	—	—	—			
Net loss	Net loss	(5)%	(37)%	(15)%	(31)%	Net loss	(12)%	(19)%

Note: Percentages in the table above may not sum due to rounding.

#### Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements presented in accordance with U.S. GAAP, we monitor and consider non-GAAP financial measures including: non-GAAP cost of subscription revenue, non-GAAP subscription gross margin, non-GAAP cost of professional services revenue, non-GAAP professional services gross margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, (loss), non-GAAP net income (loss) per share, basic and diluted, and adjusted free cash flow, and subscription revenue and total revenue that exclude the impact of foreign currency exchange rate fluctuations (constant currency basis), flow. We use non-GAAP financial measures in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our Board of Directors concerning our financial performance. We believe these non-GAAP measures provide investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our operating results. We also believe these non-GAAP measures are useful in evaluating our operating performance compared to that of other companies in our industry, as they generally eliminate the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. The non-GAAP financial measures we use may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP items excluded from our non-GAAP financial measures. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Reconciliations of our non-GAAP financial measures to the nearest respective GAAP measures are provided below.

We exclude the following items from one or more of our non-GAAP financial measures:

- *Stock-based compensation expense.* We exclude stock-based compensation expense, which is a non-cash expense, because we believe that excluding this item provides meaningful supplemental information regarding operational performance. In particular, stock-based compensation expense is not comparable across companies given it is calculated using a variety of valuation methodologies and subjective assumptions.
- *Amortization of acquired intangible assets.* We exclude amortization of acquired intangible assets, which is a non-cash expense, because we do not believe it has a direct correlation to the operation of our business.
- *Charitable contributions.* We exclude expenses associated with charitable donations of our common stock. We believe that excluding these non-cash expenses allows investors to make more meaningful comparisons between our operating results and those of other companies.
- *Shareholder litigation, matters.* We exclude non-recurring charges and benefits, net of insurance recoveries, including litigation expenses, settlements and settlements, other legal, consulting and advisory fees, related to shareholder litigation matters that are outside of the ordinary course of our business, business, including expenses related to a cooperation agreement. We believe these charges and benefits do not have a direct correlation to the operations of our business and may vary in size depending on the timing, results and results resolution of such litigation, and related settlements, settlements, agreements or other shareholder matters.
- *Asset impairment.* We exclude non-cash charges for impairment of assets, including impairments related to internal-use software, office leases, and office leases, acquired intangible assets. Impairment charges can vary significantly in terms of amount and timing and we do not consider these charges indicative of our current or past operating performance. Moreover, we believe that excluding the effects of these charges allows investors to make more meaningful comparisons between our operating results and those of other companies.
- *Change in fair value of debt conversion and warrant liabilities.* We exclude fair value adjustments related to the debt conversion and warrant liabilities, which are non-cash gains or losses, as they can fluctuate significantly with changes in our Zuora's stock price and market volatility, and do not reflect the underlying cash flows or operational results of the business.
- *Acquisition-related transactions expenses.* We exclude acquisition-related transactions expenses (including integration-related charges) that are not related to our ongoing operations, including expenses we incurred and gains or losses recognized on contingent consideration, related to our acquisition of Zephr, acquisitions. We do not consider these transactions transaction expenses as reflective of our core business or ongoing operating performance.
- *Workforce reduction reductions.* We exclude charges related to the workforce reduction plan we approved in November 2022, plans, including severance, health care and related expenses. We believe these charges are not indicative of our continuing operations.

The following tables provide a reconciliation of our GAAP to non-GAAP measures (in thousands, except percentages and per share data):



		Three Months Ended October 31,		Nine Months Ended October 31,					
		2023	2022	2023	2022				
	Three Months Ended April 30,								
	Three Months Ended April 30,								
	Three Months Ended April 30,								
	2024							2024	2023
Reconciliation of cost of subscription revenue:	Reconciliation of cost of subscription revenue:								
GAAP cost of subscription revenue									
GAAP cost of subscription revenue									
GAAP cost of subscription revenue	GAAP cost of subscription revenue	\$20,378	\$21,727	\$62,304	\$60,024				
Less:	Less:								
Stock-based compensation	Stock-based compensation	(2,350)	(2,437)	(6,889)	(6,517)				
Stock-based compensation	Stock-based compensation								
Amortization of acquired intangibles	Amortization of acquired intangibles	(607)	(586)	(2,083)	(1,512)				
Asset impairment		(439)	—	(439)	—				
Workforce reduction		—	(147)	(38)	(147)				
Workforce reductions									
Non-GAAP cost of subscription revenue									
Non-GAAP cost of subscription revenue									
Non-GAAP cost of subscription revenue	Non-GAAP cost of subscription revenue	\$16,982	\$18,557	\$52,855	\$51,848				
GAAP subscription gross margin	GAAP subscription gross margin	79 %	75 %	78 %	76 %	GAAP subscription gross margin	79 %	77 %	
Non-GAAP subscription gross margin	Non-GAAP subscription gross margin	83 %	79 %	81 %	79 %	Non-GAAP subscription gross margin	81 %	81 %	

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Three Months Ended April 30,				

		Three Months Ended April 30,					
		Three Months Ended April 30,					
		2024				2024	2023
Reconciliation of cost of professional services revenue:	Reconciliation of cost of professional services revenue:						
GAAP cost of professional services revenue	GAAP cost of professional services revenue	\$14,650	\$18,553	\$47,851	\$55,140		
Less:							
GAAP cost of professional services revenue							
GAAP cost of professional services revenue							
(Less) Add:							
Stock-based compensation	Stock-based compensation	(2,747)	(3,479)	(8,997)	(10,186)		
Workforce reduction	Workforce reduction	—	(399)	(46)	(399)		
Stock-based compensation							
Stock-based compensation							
Workforce reductions							
Non-GAAP cost of professional services revenue	Non-GAAP cost of professional services revenue	\$11,903	\$14,675	\$38,808	\$44,555		
GAAP professional services gross margin	GAAP professional services gross margin	(24)%	(28)%	(27)%	(25)%	GAAP professional services gross margin	(33) % (25) %
Non-GAAP professional services gross margin	Non-GAAP professional services gross margin	(1)%	(1)%	(3)%	(1)%	Non-GAAP professional services gross margin	(14) % (3) %
<b>Total Gross Margin</b>							
		Three Months Ended October 31,		Nine Months Ended October 31,			
		2023	2022	2023	2022		
		Three Months Ended April 30,					
		Three Months Ended April 30,					
		Three Months Ended April 30,					
		2024				2024	2023
Reconciliation of gross profit:	Reconciliation of gross profit:						
GAAP gross profit							
GAAP gross profit							

GAAP gross profit	GAAP gross profit	\$74,821	\$60,792	\$210,837	\$177,882				
Add:	Add:								
Stock-based compensation	Stock-based compensation	5,097	5,916	15,886	16,703				
Stock-based compensation									
Stock-based compensation									
Amortization of acquired intangibles	Amortization of acquired intangibles	607	586	2,083	1,512				
Asset impairment		439	—	439	—				
Workforce reduction		—	546	84	546				
Workforce reductions									
Non-GAAP gross profit									
Non-GAAP gross profit									
Non-GAAP gross profit	Non-GAAP gross profit	\$80,964	\$67,840	\$229,329	\$196,643				
GAAP gross margin	GAAP gross margin	68 %	60 %	66 %	61 %	GAAP gross margin	68 %		64 %
Non-GAAP gross margin	Non-GAAP gross margin	74 %	67 %	71 %	67 %	Non-GAAP gross margin	72 %		70 %

#### Operating (Loss) Income and Operating Margin

	Three Months Ended April 30,	Three Months Ended April 30,	Three Months Ended April 30,			
	2024			2024	2023	
Reconciliation of (loss) income from operations:						
GAAP loss from operations						
GAAP loss from operations						
GAAP loss from operations						
Add:						
Stock-based compensation						
Stock-based compensation						
Stock-based compensation						
Shareholder matters						
Workforce reductions						
Amortization of acquired intangibles						

		Three Months Ended October 31,		Nine Months Ended October 31,					
		2023	2022	2023	2022				
Reconciliation of (loss) income from operations:									
GAAP loss from operations		\$ (8,821)	\$(33,921)	\$(47,239)	\$(87,766)				
Add:									
Stock-based compensation		26,101	29,007	77,973	80,045				
Amortization of acquired intangibles		607	586	2,083	1,512				
Acquisition-related expenses									
Asset impairment		1,592	—	1,592	—				
Charitable contribution		—	—	—	1,000				
Shareholder litigation		(3,508)	16	(3,265)	246				
Acquisition-related transactions		19	1,268	211	1,612				
Workforce reduction		—	3,660	265	3,660				
Acquisition-related expenses									
Acquisition-related expenses									
Non-GAAP income from operations	Non-GAAP income from operations	\$15,990	\$ 616	\$ 31,620	\$ 309				
GAAP operating margin	GAAP operating margin	(8)%	(34)%	(15)%	(30)%	GAAP operating margin		(4) %	(20) %
Non-GAAP operating margin	Non-GAAP operating margin	15 %	1 %	10 %	— %	Non-GAAP operating margin		17 %	6 %

**Net (Loss) Income and Net (Loss) Income Per Share**

		Three Months Ended April 30,	Three Months Ended April 30,	Three Months Ended April 30,				
		2024	2024	2023				
Reconciliation of net (loss) income:								
GAAP net loss								
GAAP net loss								
GAAP net loss								
Add:								

Stock-based compensation																
Stock-based compensation																
Stock-based compensation																
Change in fair value of debt conversion and warrant liabilities																
Shareholder matters																
Workforce reductions																
Amortization of acquired intangibles																
	<table><tr><th colspan="2">Three Months Ended</th><th colspan="2">Nine Months Ended</th></tr><tr><th colspan="2">October 31,</th><th colspan="2">October 31,</th></tr><tr><th>2023</th><th>2022</th><th>2023</th><th>2022</th></tr></table>				Three Months Ended		Nine Months Ended		October 31,		October 31,		2023	2022	2023	2022
Three Months Ended		Nine Months Ended														
October 31,		October 31,														
2023	2022	2023	2022													
Reconciliation of net (loss) income:																
GAAP net loss	\$ (5,502)	\$(37,034)	\$(47,359)	\$(90,112)												
Add:																
Stock-based compensation	26,101	29,007	77,973	80,045												
Amortization of acquired intangibles	607	586	2,083	1,512												
Acquisition-related expenses																
Asset impairment	1,592	—	1,592	—												
Charitable contribution	—	—	—	1,000												
Shareholder litigation	(3,508)	16	(3,265)	246												
Change in fair value of debt conversion and warrant liabilities	(6,997)	(452)	(2,241)	(9,348)												
Acquisition-related transactions	19	1,268	211	1,612												
Workforce reduction	—	3,660	265	3,660												
Non-GAAP net income (loss)	\$12,312	\$ (2,949)	\$ 29,259	\$(11,385)												
Acquisition-related expenses																
Acquisition-related expenses																
Non-GAAP net income																

GAAP net loss per share, basic and diluted <sup>1</sup>	GAAP net loss per share, basic and diluted <sup>1</sup>				
		diluted <sup>1</sup>	\$ (0.04)	\$ (0.28)	\$ (0.34) \$ (0.69)
Non-GAAP net income (loss) per share, basic and diluted <sup>1</sup>			\$ 0.09	\$ (0.02)	\$ 0.21 \$ (0.09)
Non-GAAP net income per share, basic and diluted <sup>1</sup>					

(1) For the three months ended **October 31, 2023** **April 30, 2024** and **2022, 2023**, GAAP and Non-GAAP net (loss) income per share are calculated based upon **141.5 million** **146.7 million** and **132.6 million** basic and diluted weighted-average shares of common stock, respectively. For the nine months ended October 31, 2023 and 2022, GAAP and Non-GAAP net (loss) income per share are calculated based upon **138.8 million** and **130.5 million** **136.2 million** basic and diluted weighted-average shares of common stock, respectively.

### Adjusted Free Cash Flow

Adjusted free cash flow is a non-GAAP measure that **excludes acquisition-related costs (including integration-related charges) and expenses related** **includes adjustments to non-ordinary course litigation (including settlement charges) from GAAP operating cash flows for cash impacts related to Shareholder matters and includes capital expenditures.** **Acquisition-related expenses** as described above, and **net purchases of property and equipment**. We include the impact of net purchases of property and equipment in our adjusted free cash flow calculation because we consider these capital expenditures to be a necessary component of our ongoing operations. We consider adjusted free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated **by our business, from operations**, excluding such expenditures that are not related to our ongoing operations, but it is not intended to represent the residual cash flow available for discretionary expenditures.

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2023	2022	2023	2022
Net cash used in operating activities (GAAP)	\$ (55,657)	\$ (4,861)	\$ (35,676)	\$ (2,679)
Add:				
Shareholder litigation	71,377	54	72,130	237
Acquisition-related costs	28	—	135	—
Less:				
Purchases of property and equipment	(3,075)	(2,387)	(6,913)	(8,471)
Adjusted free cash flow (non-GAAP)	\$ 12,673	\$ (7,194)	\$ 29,676	\$ (10,913)
Net cash provided by (used in) investing activities (GAAP)	\$ 2,005	\$ (19,416)	\$ 97,026	\$ (165,922)
Net cash provided by financing activities (GAAP)	\$ 145,899	\$ 575	\$ 151,626	\$ 239,003

### Constant Currency Revenue

We provide subscription revenue and total revenue, including year-over-year growth rates, adjusted to remove the impact of foreign currency rate fluctuations, which we refer to as constant currency. We believe providing revenue on a constant currency basis helps our investors to better understand our underlying performance. We calculate constant currency in a given period by applying the average currency exchange rates in the comparable period of the prior year to the local currency revenue in the current period.

	Three Months Ended			Nine Months Ended		
	October 31,			October 31,		
	2023	2022	% Change	2023	2022	% Change
	(dollars in thousands)			(dollars in thousands)		
Subscription revenue (GAAP)	\$ 98,048	\$ 86,567	13 %	\$ 283,232	\$ 248,878	14 %
Effects of foreign currency rate fluctuations	821			5,594		

Subscription revenue on a constant currency basis (Non-GAAP)	\$	98,869		14 %	\$	288,826		16 %		
Total revenue (GAAP)	\$	109,849	\$	101,072	9 %	\$	320,992	\$	293,046	10 %
Effects of foreign currency rate fluctuations		711				5,592				
Total revenue on a constant currency basis (Non-GAAP)	\$	110,560			9 %	\$	326,584			11 %

	Three Months Ended	
	April 30,	
	2024	2023
Net cash provided by operating activities (GAAP)	\$ 32,870	\$ 14,593
Add:		
Shareholder matters	1,188	27
Acquisition-related expenses	—	16
Less:		
Purchases of property and equipment	(2,655)	(1,657)
Adjusted free cash flow (non-GAAP)	\$ 31,403	\$ 12,979
Net cash (used in) provided by investing activities (GAAP)	\$ (24,568)	\$ 20,302
Net cash provided by financing activities (GAAP)	\$ 1,592	\$ 537

Comparison of the Three Months Ended **October 31, 2023** **April 30, 2024** and **2022** **2023**

Revenue		Three Months Ended				Three Months Ended	
		October 31,				April 30,	
		2023	2022	\$ Change	% Change	2024	
		(dollars in thousands)				(dollars in thousands)	
Revenue:	Revenue:						
Subscription	Subscription	\$ 98,048	\$ 86,567	\$ 11,481	13 %		
Subscription						\$ 98,959	
Professional services	Professional services	11,801	14,505	(2,704)	(19) %	Professional services	10,810
Total revenue	Total revenue	\$ 109,849	\$ 101,072	\$ 8,777	9 %	Total revenue	\$ 109,769
Percentage of revenue:	Percentage of revenue:						
Subscription	Subscription	89 %	86 %				
Subscription							
Subscription							
Professional services							
Professional services							
Professional services	Professional services	11	14				
Total revenue	Total revenue	100 %	100 %				
Total revenue							
Total revenue							

Subscription revenue increased by **\$11.5 million** **\$9.2 million**, or **13%** **10%**, for the three months ended **October 31, 2023** **April 30, 2024** compared to the three months ended **October 31, 2022** **April 30, 2023**. The increase was driven by growth in our customer base, with new customers contributing approximately **\$3.4 million** **\$2.8 million** of the increase in subscription revenue, and increased transaction volume and sales of additional products to our existing customers contributing **the remainder**, **approximately \$6.4 million**. We calculate subscription revenue from new customers during the quarter by adding the revenue recognized from new customers acquired in the 12 months prior to the reporting date. **New business growth reflects the continued impact of macroeconomic headwinds we have faced and our strategy to execute on lighter, faster sales in the three months ended April 30, 2024.**

Professional services revenue decreased by **\$2.7** **\$2.6** million, or 19%, for the three months ended **October 31, 2023** **April 30, 2024** as we continue to leverage our system integration partners for implementation of our solutions and due to the overall linearity and timing of projects.

On a constant currency basis, subscription revenue was \$98.9 million and increased 14%, and total revenue was \$110.6 million and increased 9%, for the three months ended October 31, 2023 compared to the three months ended October 31, 2022.

#### Cost of Revenue and Gross Margin

		Three Months Ended October 31,				Three Months E April 30,	
		2023	2022	\$ Change	% Change	2024	
		(dollars in thousands)				(dollars in thous	
Cost of revenue:	Cost of revenue:						
Subscription	Subscription	\$ 20,378	\$ 21,727	\$ (1,349)	(6)	%	
Subscription	Subscription					\$ 20,689	
Professional services	Professional services	14,650	18,553	(3,903)	(21)	%	14,372
Total cost of revenue	Total cost of revenue	\$ 35,028	\$ 40,280	\$ (5,252)	(13)	%	\$ 35,061
Gross margin:	Gross margin:						
Subscription	Subscription	79	75	%			
Subscription	Subscription						
Professional services	Professional services						
Professional services	Professional services						
Professional services	Professional services	(24)	(28)				
Total gross margin	Total gross margin	68	60	%			
Total gross margin	Total gross margin						

Cost of subscription revenue decreased by **\$1.3** million, or 6%, remained relatively consistent for the three months ended **October 31, 2023** **April 30, 2024** compared to the three months ended **October 31, 2022**. The decrease **April 30, 2023**, which reflects **\$0.8** million lower stock-based compensation expense in cost of subscription revenue was primarily due the current quarter relative to a **\$1.0** million one-time vendor credit and a decrease of **\$0.5** million in allocated overhead. last year.

Cost of professional services revenue decreased by **\$3.9** million **\$2.4** million, or **21%** 14%, for the three months ended **October 31, 2023** **April 30, 2024** compared to the three months ended **October 31, 2022**. The decrease in cost of professional services revenue was **April 30, 2023** primarily due to decreases us continuing to leverage our system integration partners for leading customer implementations, which has allowed us to reduce our professional services headcount costs, resulting in a decrease of **\$3.0** million **\$2.0** million in employee compensation costs, **\$0.6** million in outside professional services costs, costs; and **\$0.4** million in allocated overhead.

overhead decreased **\$0.5** million.

Our gross margin for subscription services increased to 79% for the three months ended **October 31, 2023** **April 30, 2024** compared to **75%** 77% for the three months ended **October 31, 2022** **April 30, 2023**, primarily due to increased subscription revenue, optimization of our cloud hosting, and a one-time vendor credit. revenue.

Our gross margin for professional services increased decreased to **(24)** **(33)**% for the three months ended **October 31, 2023** **April 30, 2024** compared to **(28)** **(25)**% for the three months ended **October 31, 2022** **April 30, 2023**, primarily due to decreased employee compensation costs. supporting our system integration partners in leading customer implementations and continued investment in our customers.

#### Operating Expenses

##### Research and Development

		Three Months Ended October 31,				Three Months Ended April 30,	
		2023	2022	\$ Change	% Change	2024	2023
		(dollars in thousands)				(dollars in thousands)	
Research and development	Research and development	\$ 27,504	\$ 28,413	\$ (909)	(3)	%	
Research and development	Research and development	\$ 23,566	\$ 25,66				







Total revenue	100 %	100 %
---------------	-------	-------

Subscription revenue increased by \$34.4 million, or 14%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase was driven by growth in our customer base, with new customers contributing approximately \$10.3 million of the increase in subscription revenue for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022, and increased transaction volume and sales of additional products to our existing customers contributing the remainder. We calculate subscription revenue from new customers on a year-to-date basis by adding the revenue recognized from new customers acquired in the 12 months prior to each discrete quarter within the year-to-date period.

Professional services revenue decreased by \$6.4 million, or 15%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022, as we continue to leverage our system integration partners for implementation of our solutions and due to the overall linearity and timing of projects.

On a constant currency basis, subscription revenue was \$288.8 million and increased 16%, and total revenue was \$326.6 million and increased 11%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022.

#### Cost of Revenue and Gross Margin

		Nine Months Ended			
		October 31,		\$ Change	% Change
		2023	2022		
		(dollars in thousands)			
Cost of revenue:					
Subscription		\$ 62,304	\$ 60,024	\$ 2,280	4 %
Professional services		47,851	55,140	(7,289)	(13)%
Total cost of revenue		\$ 110,155	\$ 115,164	\$ (5,009)	(4)%
Gross margin:					
Subscription		78 %	76 %		
Professional services		(27)	(25)		
Total gross margin		66 %	61 %		

Cost of subscription revenue increased by \$2.3 million, or 4%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase in cost of subscription revenue was primarily driven by increases of \$1.5 million in employee compensation costs, \$1.4 million in cloud hosting costs, \$1.3 million related to amortization of capitalized internal-use software costs and purchased technology, \$0.6 million in third-party software costs, and a \$0.4 million impairment charge, partially offset by a decrease of \$2.3 million in outside professional services costs and a \$1.0 million one-time vendor credit.

Cost of professional services revenue decreased by \$7.3 million, or 13%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The decrease in cost of professional services revenue was primarily driven by decreases of \$3.7 million in employee compensation costs, \$3.2 million in outside professional services costs, and \$0.6 million in allocated overhead.

Our gross margin for subscription services increased to 78% for the nine months ended October 31, 2023, compared to 76% for the nine months ended October 31, 2022.

Our gross margin for professional services decreased to (27)% for the nine months ended October 31, 2023 compared to (25)% for the nine months ended October 31, 2022, primarily due to decreased professional services revenue.

#### Operating Expenses

##### Research and Development

	Nine Months Ended			
	October 31,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Research and development	\$ 79,428	\$ 77,639	\$ 1,789	2 %
Percentage of total revenue	25 %	26 %		

Research and development expense increased by \$1.8 million, or 2%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase in research and development expense was primarily driven by an increase of \$4.4 million in employee compensation costs driven by increased headcount, a \$1.2 million impairment of certain capitalized software, and increases of \$0.6 million in allocated overhead, \$0.5 million in travel costs, and \$0.5 million related to data center costs and decreased capitalization of internal-use software, offset by decreases of \$4.8 million in outside professional services costs and \$0.9 million in third-party software costs. Research and development expense decreased to 25% from 26% of total revenue during the nine months ended October 31, 2023 compared to nine months ended October 31, 2022 primarily due to subscription revenue growth.

##### Sales and Marketing

	Nine Months Ended			
	October 31,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Sales and marketing	\$ 124,488	\$ 132,576	\$ (8,088)	(6)%
Percentage of total revenue	39 %	45 %		

Sales and marketing expense decreased by \$8.1 million, or 6%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022, primarily due to decreases of \$9.1 million in employee compensation costs driven by decreased headcount and stock-based compensation expense and \$1.4 million in allocated overhead, partially offset by increases of \$1.6 million in event costs and \$0.6 million in travel costs. Sales and marketing expense decreased to 39% of total revenue during the nine months ended October 31, 2023 from 45% during the nine months ended October 31, 2022, due to subscription revenue growth and lower costs.

#### General and Administrative

	Nine Months Ended			
	October 31,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
General and administrative	\$ 54,160	\$ 55,433	\$ (1,273)	(2)%
Percentage of total revenue	17 %	19 %		

General and administrative expense decreased by \$1.3 million, or 2%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022, primarily due to decreases of \$3.9 million in outside professional services costs, \$3.5 million in securities litigation related expenses, and \$0.5 million in charitable donations, partially offset by an increase of \$2.6 million in employee compensation costs driven by increased stock-based compensation expense, a \$1.8 million gain related to the change in contingent consideration fair value associated with the Zephr acquisition, and increases of \$1.0 million in allocated overhead and \$0.6 million in other tax related costs. General and administrative expense decreased to 17% of total revenue during the nine months ended October 31, 2023 compared to 19% during the nine months ended October 31, 2022, primarily due to subscription revenue growth.

#### Other income and expenses

	Nine Months Ended			
	October 31,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Change in fair value of debt conversion and warrant liabilities	\$ 2,241	\$ 9,348	\$ (7,107)	(76)%
Interest expense	\$ (14,604)	\$ (10,647)	\$ (3,957)	37 %
Interest and other income (expense), net	\$ 13,639	\$ 98	\$ 13,541	13817 %

During the nine months ended October 31, 2023, we recognized a \$2.2 million gain on revaluation of the debt conversion and warrant liabilities, compared to a \$9.3 million gain recognized on revaluation of the warrant liability during the nine months ended October 31, 2022. Interest expense increased \$4.0 million as a result of the issuance of additional debt under the 2029 Notes. Interest and other income (expense), net increased \$13.5 million primarily due to increased interest income from higher interest rates on our investments and cash equivalents, and gains resulting from the revaluation of cash, accounts receivable, and payables recorded in a foreign currency.

#### Income Tax Provision

	Nine Months Ended			
	October 31,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Income tax provision	\$ 1,396	\$ 1,145	\$ 251	22 %

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the nine months ended October 31, 2023 and 2022, we recorded a tax provision of \$1.4 million and \$1.1 million, respectively, on losses before income taxes of \$46.0 million and \$89.0 million, respectively. The effective tax rates for the nine months ended October 31, 2023 and 2022 were (3.0)% and (1.3)%, respectively. The change was due primarily to an increase in foreign tax expenses. The effective tax rate differs from the statutory rate primarily as a result of no benefit on pretax losses incurred in the United States. For the nine months ended October 31, 2023 and 2022, we maintained a full valuation allowance on our U.S. federal and state net deferred tax assets as it was more likely than not that those deferred tax assets will not be realized.

## Liquidity and Capital Resources

Liquidity is a measure of our ability to access sufficient cash flows to meet the short-term and long-term cash requirements of our business operations.

As of **October 31, 2023** **April 30, 2024**, we had cash and cash equivalents and short-term investments of **\$493.7 million** **\$547.2 million** that were primarily invested in deposit accounts, money market funds, corporate debt securities, **commercial paper**, and U.S. government securities. Our investments are highly rated and currently mature in one year or less. In addition to cash and investments, we finance our operations through cash flows generated from sales to our customers, which are generally billed in advance on an annual, **quarterly**, **semi-annual**, or **semi-annual quarterly** basis.

In the short-term, we have our cash and investments, cash generated from our business, and our \$30.0 million credit line available to fund our ongoing business operations, as well as to finance any future acquisitions. In the long-term, we expect cash generated from our operations to increase, improving our ability to fund our operations and repay our debt obligations. The 2029 Notes issued to Silver Lake includes a conversion feature that, if triggered, will convert the notes to shares of our Class A common stock, after which we would no longer be required to repay the debt balance. The 2029 Notes are scheduled to mature in March 2029, but may be called by the noteholder as early as March 2027. If the 2029 Notes have not been converted by the maturity date or if they are otherwise called by the noteholder prior to maturity, we would be required to repay the debt balance in cash. Additionally, in connection with the 2029 Notes, we issued Warrants for 7.5 million shares of our Class A common stock that are exercisable between \$20.00 - \$24.00 per share which, if exercised, would contribute additional liquidity to our business. Refer to *Note 9. Debt* and *Note **17, 10**. Warrants to Purchase Shares of Common Stock*.

We believe our existing cash and cash equivalents, marketable securities, and cash flow from operations will be sufficient for at least the next 12 months to meet our requirements and plans for cash, including meeting our working capital requirements and capital expenditure requirements, servicing our debt and funding future acquisitions. In addition, we expect to have access to sufficient capital to repay the 2029 Notes if they are required to be settled in cash. For additional information about our debt, credit line and warrants see *Note 9. Debt* and *Note **17, 10**. Warrants to Purchase Shares of Common Stock* of the *Notes to Condensed Consolidated Financial Statements*.

Our ability to support our requirements and plans for cash, including meeting our working capital and capital expenditure requirements, will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support research and development efforts, the repayment of the 2029 Notes, the cost to develop and support our offering, the introduction of new products and services, the continuing adoption of our products by customers, any acquisitions or investments that we make in complementary businesses, products, and technologies, and our ability to obtain equity or debt financing.

We continually evaluate our capital needs and may decide to raise additional capital to fund the growth of our business for general corporate purposes through public or private equity offerings or through additional debt financing. We also may in the future make investments in or acquire businesses or technologies that could require us to seek additional equity or debt financing. To facilitate acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all. Sales of additional equity could result in dilution to our stockholders. We expect proceeds from the exercise of stock options in future years to be impacted by the increased mix of restricted stock units versus stock options granted to employees and to vary based on our share price.

## Cash Flows

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

		Nine Months Ended October 31,		Three Months Ended April 30,	
		2023	2022	2024	2023
Net cash used in operating activities		\$ (35,676)	\$ (2,679)		
Net cash provided by (used in) investing activities		97,026	(165,922)		
Net cash provided by operating activities					
Net cash (used in) provided by investing activities					
Net cash provided by financing activities	Net cash provided by financing activities	151,626	239,003		

Effect of exchange rates on cash and cash equivalents	Effect of exchange rates on cash and cash equivalents	(1,383)	(1,648)
Net increase in cash and cash equivalents	Net increase in cash and cash equivalents	\$ 211,593	\$ 68,754

#### Operating Activities

Net cash ~~used in~~ ~~provided by~~ operating activities of ~~\$35.7 million~~ ~~\$32.9 million~~ for the ~~nine three~~ months ended ~~October 31, 2023~~ ~~April 30, 2024~~ was comprised primarily of ~~payment to settle the securities class action litigation~~, customer collections for our subscription and professional services, cash payments for our personnel, sales and marketing efforts, infrastructure related costs, payments to vendors for products and services related to our ongoing business operations, interest income received on our short-term investments and cash equivalents, and interest paid on the ~~Initial~~ ~~2029~~ Notes.

Net cash ~~used in~~ ~~provided by~~ operating activities for the ~~nine three~~ months ended ~~October 31, 2023~~ ~~April 30, 2024~~ increased ~~\$33.0 million~~ ~~\$18.3 million~~ compared to the same period last year, primarily due to ~~\$72.1 million paid for higher customer billings in the securities class action settlement and related fees~~, ~~fourth quarter of last year that were collected in the first quarter of fiscal 2025~~.

#### Investing Activities

Net cash ~~provided by~~ ~~used in~~ investing activities for the ~~nine three~~ months ended ~~October 31, 2023~~ ~~April 30, 2024~~ was ~~\$97.0 million~~ ~~\$24.6 million~~. We used ~~\$6.9 million~~ ~~\$2.7 million~~ to develop internal-use software and purchase property and equipment and to develop internal-use software as we ~~continue~~ ~~continued~~ to invest in and grow our ~~business~~; had maturities of \$108.5 million business, and we purchased \$21.9 million of short-term investments, net of purchases; and paid \$4.5 million of contingent consideration in connection with the acquisition of Zephr; maturities.

Net cash ~~provided by~~ ~~used in~~ investing activities for the ~~nine three~~ months ended ~~October 31, 2023~~ ~~April 30, 2024~~ increased ~~\$262.9 million~~ ~~\$44.9 million~~ compared to the ~~nine three~~ months ended ~~October 31, 2022~~ ~~April 30, 2023~~, primarily due to \$108.5 million net maturities of \$48.4 million more cash used for short-term investments in the ~~nine three~~ months ended ~~October 31, 2023~~ ~~April 30, 2024~~ as we invested cash from the second debt issuance and the timing of purchases and maturities of our investments. Payments for property and equipment, net of insurance recoveries, were \$1.0 million higher compared to the same period last year, primarily due to increased development of our internal-use software in the three months ended April 30, 2024. We did not make any acquisition-related payments in the three months ended April 30, 2024, compared to \$116.5 million net purchases last year. In the nine months ended October 31, 2023, we \$4.5 million paid \$4.5 million in contingent consideration in connection with our acquisition of Zephr compared to \$41.0 million cash used to purchase Zephr in the ~~nine three~~ months ended October 31, 2022. Payments for property and equipment were \$1.6 million lower compared to the same period last year, primarily due to decreased spend on computer equipment in the nine months ended October 31, 2023 ~~April 30, 2023~~.

#### Financing Activities

Net cash provided by financing activities for the ~~nine three~~ months ended ~~October 31, 2023~~ ~~April 30, 2024~~ of ~~\$151.6 million~~ ~~\$1.6 million~~ was due to ~~\$145.9 million~~ exercise proceeds from employee stock options.

The increase in net proceeds from issuance of the Additional Notes, \$4.8 million of proceeds from issuance of common stock under the ESPP, and \$1.0 million of proceeds from stock option exercises.

Net cash provided by financing activities for the nine months ended October 31, 2023 decreased \$87.4 million of \$1.1 million compared to the ~~nine three~~ months ended ~~October 31, 2022~~, primarily ~~April 30, 2023~~ was due to \$145.9 million an increase in net proceeds from issuance of the Additional Notes employee stock options exercised in the ~~nine months~~ ended October 31, 2023, compared to \$233.9 million in net proceeds from issuance of the Initial Notes in the nine months ended October 31, 2022. ~~current quarter~~.

#### Obligations and Other Commitments

Our material cash requirements from known contractual and other obligations consist of obligations under our operating leases for office space, the 2029 Notes, and a contractual commitment to one of our vendors for cloud computing services. For more information, please refer to Note ~~12, 13~~, Leases, Note 9. Debt and Note ~~13, 14~~, Commitments and Contingencies, respectively, of the Notes to Condensed Consolidated Financial Statements. As of ~~October 31, 2023~~ ~~April 30, 2024~~, our contractual obligations totaled ~~\$515.4 million~~ ~~\$500.3 million~~ with ~~\$32.1 million~~ ~~\$27.9 million~~ committed within the next twelve months.

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. As of ~~October 31, 2023~~ ~~April 30, 2024~~, no demands had been made upon us to provide indemnification under such agreements and there were no claims that we are aware of that could have a material effect on our unaudited condensed consolidated balance sheets, unaudited condensed consolidated statements of comprehensive loss, or unaudited condensed consolidated statements of cash flows.

## Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the applicable periods. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. Refer to *Critical Accounting Estimates* within *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for further information on critical accounting estimates.

Our significant accounting policies are discussed in *Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements* in our Annual Report on Form 10-K. Any significant changes to these policies during the **nine** **three** months ended **October 31, 2023** **April 30, 2024** are described in *Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements* to our unaudited condensed consolidated financial statements provided herein.

### Recent Accounting Pronouncements - Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 will be effective for us for annual periods beginning with our fiscal year ending January 31, 2025, and interim periods thereafter. Early adoption is permitted. We are currently evaluating the impact of this pronouncement on our condensed consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU is intended to improve income tax disclosures, specifically requiring disaggregated information about a reporting entity's effective tax rate reconciliation and information on income taxes paid. ASU 2023-09 will be effective for us for annual periods beginning with our fiscal year ending January 31, 2026. Early adoption is permitted. We are currently evaluating the impact of this pronouncement on our condensed consolidated financial statements.

### 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*

Our sales contracts are denominated predominantly in U.S. Dollars, Euros, British Pounds (GBP), and Japanese Yen. A portion of our operating expenses are incurred outside the United States and denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the GBP and Chinese Yuan and Indian Rupee. Yuan. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our unaudited condensed consolidated statement of comprehensive loss. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our unaudited condensed consolidated financial statements for the **nine** **three** months ended **October 31, 2023** **April 30, 2024** and **2022**, **2023**. Given the **impact effects** of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency should become more significant. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

#### *Interest Rate Risk*

We had cash and cash equivalents and short-term investments of **\$493.7 million** **\$547.2 million** as of **October 31, 2023** **April 30, 2024**. Our cash and cash equivalents and short-term investments are held for working capital purposes. We do not make investments for trading or speculative purposes. A significant decrease in these market rates may adversely affect our expected operating results. The 2029 Notes have a fixed interest rate and therefore are not impacted by market rates.

Our cash equivalents and short-term investments are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. 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 short-term investments 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 decreases in fair value are determined to be other-than-temporary.

As of **October 31, 2023** **April 30, 2024**, a hypothetical 10% relative change in interest rates would not have had a material impact on the value of our cash equivalents and short-term investments or interest owed on our outstanding debt. Fluctuations in the value of our cash equivalents and short-term investments caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, and are realized only if we sell the underlying securities prior to maturity. In addition, a hypothetical 10% relative change in interest rates would not have had a material impact on our operating results for the **nine** **three** months ended **October 31, 2023** **April 30, 2024**.

### Item 4. Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of **October 31, 2023** **April 30, 2024**. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of **October 31, 2023** **April 30, 2024**, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding its required disclosure.



## Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Accordingly, our disclosure controls and procedures provide reasonable assurance of achieving their objectives.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 13, 14, Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Item 1. Financial Statements of this Form 10-Q, which is incorporated by reference into this Item 1. Legal Proceedings.

### Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk, and the following is a summary of key risk factors when considering an investment. You should read the summary risks together with the more detailed discussion of risks set forth following this summary, as well as elsewhere in this Quarterly Report on Form 10-Q. Additional risks, beyond those summarized below or discussed elsewhere in this Quarterly Report on Form 10-Q, may apply to our activities or operations as currently conducted or as we may conduct them in the future or in the markets in which we operate or may in the future operate.

#### Risks Related to Our Business and Industry

- If we are unable to attract new customers and retain and expand sales to existing customers, our revenue growth could be slower than we expect and our business would may be adversely affected.
- Current and future economic uncertainty and other unfavorable conditions in our industry or the global economy could limit our growth and negatively affect our operating results.
- If we fail to manage our growth revenue and profitability plans effectively, our business, operating results, and financial condition could be adversely affected.
- If the market for monetization platform software and related solutions, and consumer adoption of products and services that are provided through such solutions, develops slower than we expect, our growth may slow or stall, and our operating results could be adversely affected.
- If we are unable to successfully execute our strategic initiatives, such as increasing our sales to large enterprise customers enterprises and fast-growing enterprises and disruptors as well as expanding and strengthening our sales channels and relationships with system integrators, our business, operating results and financial condition could be adversely affected.
- If we are unable to recruit or retain senior management or other key personnel and maintain our corporate culture, we may not be able to execute on our business strategy.
- If we are unable to effectively compete in the market for our solutions or such markets develop slower than we expect our business, operating results, and financial condition would be adversely affected.
- We have a history of net losses and may not achieve or sustain profitability.
- Our revenue growth and ability to achieve and sustain profitability will depend, in part, on our ability to increase productivity of our sales force.
- Our success depends in large part on a limited number of products, and if these current or future products fail to gain market acceptance or our product development efforts are unsuccessful, our business, operating results, and financial condition could be adversely affected.
- Currency exchange rate fluctuations may adversely affect our results of operations, which are reported in U.S. Dollars.
- We face risks related to our debt obligations, including our convertible senior unsecured notes and warrants. obligations.
- Our operating results, which are influenced by a variety of factors, have fluctuated in the past and may continue to fluctuate, making our future results difficult to predict accurately.
- If we are not able to successfully and timely develop, enhance and deploy our products and multi-product strategy, our business, operating results, financial condition and growth prospects could be adversely affected.
- We may be unable to integrate businesses we have or will acquire or to achieve expected benefits of such acquisitions.
- Our international operations expose us to risks that could have a material adverse effect on our business, operating results, and financial condition.
- If we fail to integrate our solutions with a variety of systems, applications and platforms that are developed by others, our solutions may become less marketable, less competitive, or obsolete, and our operating results may be adversely affected.



## Risks Related to Information Technology, Intellectual Property, and Data Security and Privacy

- If our security measures are breached or if unauthorized access to customer, employee or other confidential data is otherwise obtained, or if our solutions are perceived as not being secure, we may lose existing customers or fail to attract new customers, our business may be harmed and we may incur significant liabilities.
- Privacy and security concerns, laws, and regulations, may adversely affect our business.
- Failure inability or failure to protect our intellectual property could adversely affect our business.
- Any disruptions of service from at our public cloud providers, including Amazon Web Services (AWS) and Microsoft's Azure cloud service, could interrupt or delay our ability to deliver our services to our customers, which could harm our business and our financial results.

## Risks Related to Legal, Regulatory, Accounting, and Tax Matters

- Adverse litigation judgments or settlements Our increased focus on the development and use of various types of artificial intelligence (AI) in our platform and our business, as well as our potential failure to effectively implement, use, and market AI could expose us to significant monetary damages or limit our ability to operate adversely affect our business.
- If we are not able to satisfy government and industry-specific requirements, such as data protection, security, privacy, and export laws, our growth could be harmed.

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

- The market stock price of our Class A common stock has been, and will likely may continue to be, volatile, and you could lose all or part of the value of your investment.
- The dual class structure of our common stock has the effect of concentrating substantial influence voting control with holders of our Class B common stock, including our CEO and his affiliates, Chief Executive Officer (CEO), which limits or precludes your ability to influence corporate matters, including the election of directors and the approval of any change of control transaction.

## Risks Related to Our Business and Industry

***If we are unable to attract new customers and retain and expand sales to existing customers, our revenue growth could be slower than we expect, and our business may be adversely affected.***

Our ability to achieve significant growth in grow revenue in the future will depend, in large part, upon our ability to attract grow and convert our pipeline by attracting new customers. This may be particularly challenging where an organization has already invested substantial personnel and financial resources to integrate billings and other business and into its financial management tools, including custom-built solutions into its business, as such an organization and may be reluctant or unwilling to invest in new adopt our products and services. As a result, selling our solutions This often requires us to engage in sophisticated, costly, and costly lengthy sales efforts that are targeted with functional experts and senior management at senior management. During such organizations. For example, during the nine three months ended October 31, 2023 April 30, 2024, sales and marketing expenses represented approximately 39% 33% of our total revenue. If Although we fail dedicate significant resources to attract new customers sales and fail to maintain and expand new customer relationships, our revenue marketing programs, such programs may grow more slowly take longer than we expect and our business anticipate to have the desired effect, or may be adversely affected, not expand sales at all.

Our future revenue growth also depends upon retaining our ability to retain and expanding expand sales and renewals of subscriptions to our solutions with existing customers. If our existing customers do not expand their use of our solutions, over time or do not renew, or cancel their subscriptions, or if we receive requests from an increased number of customers request special pricing terms for changes to payment or other terms as a result of the impact of macroeconomic conditions, including global economic uncertainty and increasing inflation and interest rates, on their businesses, subscriptions, our revenue may grow more slowly than expected, may not grow at all, or may decline. be adversely affected. Our success is also dependent, in part, on our ability to effectively differentiate and cross-sell our products. If we experience issues with successfully implementing or cross-selling our products, revenue may grow more slowly or may not grow at all.

Our sales and marketing efforts also may be impacted by macroeconomic conditions and other events beyond our control. In light of current macroeconomic conditions and uncertainty, certain customers and prospective customers have reduced or delayed technology or other discretionary spending or otherwise are cautious about purchasing decisions and, as a result, we are experiencing longer sales cycles. If the impacts to customers and prospective customers of current macroeconomic conditions and uncertainty persist or worsen, our business, operating results, financial conditions and prospects could be materially and adversely affected. We currently expect to expand our sales efforts, both domestically and internationally in the long term, but any continuing business disruptions may negatively impact these efforts and adversely impact our business. In addition, we may be unable to hire qualified sales personnel, may be unable to successfully train those sales personnel that we are able to hire, and sales personnel may not become fully productive on the timelines that we have projected or at all. Further, although we dedicate significant resources to sales and marketing programs, these sales and marketing programs may not have the desired effect and may not expand sales. We cannot assure you that our efforts would result in increased sales to existing customers and additional revenue. If our efforts to expand sales and renewals to existing customers are not successful, our business and operating results could be adversely affected.

Our customers generally enter into subscription agreements with terms of one to five years and have no obligation upon expiration to renew their subscriptions after for the expiration of their initial subscription period. Moreover, our customers that do renew their subscriptions may renew for lower subscription or same usage amounts or for shorter subscription periods, duration, or at all. In addition, in the first year of a subscription, customers often purchase an increased level of professional services (such as deployment services) than they do in renewal years. Costs associated with maintaining a professional services department are relatively fixed in the short term while professional services revenue is dependent on the amount of billable work actually performed for customers in a period, the combination of which may result in variability in, and have a negative an adverse impact on, our gross profit.

Customer renewals may decline or fluctuate as a result of a number of factors, including the breadth of early deployment, reductions in our customers' spending levels, higher volumes the volume of usage purchased upfront relative to actual usage during the subscription term, changes in customers' business models, our customers' performance, and use cases, our customers' satisfaction or dissatisfaction with our solutions, our pricing or pricing structure, the pricing or capabilities of products or services offered by our competitors, or the effects of general macroeconomic conditions. If our customers do not renew their agreements with us, or renew on terms less favorable to us, our revenue may decline.

Current Our sales and future economic uncertainty marketing efforts are impacted by macroeconomic conditions and other unfavorable conditions in events beyond our industry or the global economy have limited and may continue to limit our ability to grow our business and negatively affect our operating results.

Our operating results may vary based on the impact control. In light of changes in the U.S. and global economy, including the effects of recession, fluctuations in inflation and interest rates, bank failures, debt ceiling negotiations, potential government shutdowns and general economic downturns, which can arise suddenly. As a result of current weakened macroeconomic conditions and uncertainty, certain customers and related corporate cost cutting prospective customers have reduced or delayed technology or other spending and, tighter budgets, as a result, we are experiencing longer sales cycles and collection periods. Prolonged in some cases. If macroeconomic weakness conditions and uncertainty could continue to adversely affect the ability persist or willingness of our current and prospective customers to purchase or expand their purchase of our products, further delay customer purchasing decisions, reduce the value of customer contracts, affect attrition rates, or further lengthen collection periods, any of which could materially and adversely affect worsen, our business, operating results, financial conditions condition and prospects. We cannot predict the timing, strength, or duration of any economic downturn. Moreover, any continued disruptions in the banking system, both in the U.S. or abroad, may impact our or our customers' liquidity prospects could be materially and as a result, negatively impact our business and operating results, adversely affected.

***If we fail to manage our growth revenue and profitability plans effectively, our business, operating results, and financial condition could be adversely affected.***

If we are unable to manage In connection with our growth revenue and profitability plans, effectively, which we may continue to be impacted by macroeconomic conditions experience organizational changes which may make our operations more complex and other factors outside of place significant demands on our control, management and our business, operating results, operational and financial condition could be adversely affected, resources. For example, we have reduced our workforce in the past and continue to make operational changes. To manage growth in our operations and personnel, such changes, we will need to continue to improve and achieve efficiencies with respect to our operational, financial, and management controls and our reporting systems and procedures, including improving timely access to operational information to optimize business decisions. Failure to manage growth revenue and profitability plans effectively could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new products and services or enhancing existing products and services, loss of customers, or other operational difficulties in executing sales strategies, any of which could adversely affect our business, performance operating results, and operating results, financial condition.

***If the market for monetization platform software and related solutions, and consumer adoption of products and services that are provided through such solutions, develops slower than we expect, our growth may slow or stall, and our operating results could be adversely affected.***

Our success depends on companies investing in monetization solutions including subscription or consumption management, revenue recognition and subscriber experience software and consumers consuming our products and consumers choosing to consume products and services through such solutions, services. Companies may be unwilling, unable, or unable slow to invest in monetization solutions due to the significant cost of such solutions because they are costly or if they do not the organizations believe that the their consumers of their products and services would not be receptive to offerings on such monetization solutions, or they may choose to invest in such solutions more slowly than we expect, offerings.

Our success will growth also depend, depends, to a large extent, on the willingness of large enterprises that have adopted subscription recurring revenue or consumption usage-based business models utilizing cloud-based products and services to manage billings and financial accounting relating to their offerings. In addition, offerings and for those enterprises that do shift to a subscription model may decide recognize that they do not need a solution that offers will benefit from the range of functionalities that we offer. Many companies have invested substantial effort and financial resources to develop custom-built applications or integrate traditional enterprise software into their businesses as they adopt recurring revenue business models and may be reluctant or unwilling to switch to different applications. Factors that may affect market acceptance and sales of our products and services include:

- the number of companies shifting to subscription recurring revenue business models;
- the number of consumers and businesses adopting new, flexible ways to consume products and services;
- the security capabilities, reliability, and availability of cloud-based services;
- customer concerns with entrusting a third party to store and manage their data, especially transaction-critical, confidential, or sensitive data;
- our ability to minimize the time and resources required to deploy our solutions;
- our ability to achieve and maintain high levels of customer satisfaction;
- our ability to deploy upgrades and other changes to our solutions without disruption to our customers;
- the level of customization or configuration we offer;
- the overall level of corporate spending and spending on quote-to-cash and revenue recognition solutions by budgets of our customers and prospects, including the impact of spending due to macroeconomic conditions; prospects;
- general macroeconomic conditions, both in domestic and foreign markets, including the impacts associated with rising interest rates and inflation, slower growth or recession, geopolitical unrest and developments such as the ongoing conflicts in Ukraine and Israel, bank failures, and debt ceiling negotiations, potential government shutdowns; conditions; and
- the price, performance, and availability of competing products and services.

The markets for subscription monetization products and services and for subscription management monetization software may not develop further or may develop slower than we expect. If companies do not shift to subscription recurring revenue business models and subscription management monetization software does not achieve widespread adoption, or if there is a reduction in demand for subscription products and services or subscription management such software, caused by technological challenges, weakening economic conditions, security or privacy concerns, decreases in corporate spending, a lack of customer acceptance, or otherwise, our business could be materially and adversely affected. In addition, our subscription agreements with our customers generally provide for a minimum monetization platform fee and usage-based fees, which depend on the total dollar amount that is invoiced or managed on our solutions, or the total usage of our solutions. Because a portion of our revenue depends on the volume of transactions that our customers

process through our solutions, if our customers do not adopt our solutions throughout their business, if their businesses decline or fail **such that they discontinue using our solutions**, or if they are unable to successfully shift to **subscription recurring revenue** business models,

including if they fail to successfully deploy our solutions, our revenue could decline and our operation results could be adversely impacted.

***If we are unable to grow our sales channels and our relationships with strategic partners, such as system integrators, management consulting firms, and resellers, sales of our products and services may suffer and our growth could be slower than we project.***

In addition to our direct sales force, we use strategic partners, such as system integrators, management consulting firms, strategic technology partners and resellers, to market, sell, and implement our solutions. Historically, we have used these strategic partners to a limited degree, but we are prioritizing efforts to make these partners an increasingly important aspect of our business particularly with regard to enterprise and international sales and larger implementations of our products where these partners may have more expertise and established business relationships than we do. We have transitioned and expect to continue to transition a portion of our professional services implementations to these strategic partners, and as a result we expect our professional services revenue as an overall percentage of Zuora's total revenue to continue to decline over time. Our relationships with these strategic partners are still maturing, and we cannot assure you that these partners will be successful in marketing, selling or implementing our solutions. Identifying these partners, negotiating and supporting relationships with them, including training them in how to sell or deploy our solutions, and maintaining these relationships requires significant commitment of time and resources that may not yield a significant return on our investment in these relationships. Our future growth in revenue and ability to achieve and sustain profitability depends in part on our ability to identify, establish, and retain successful strategic partner relationships in the United States and internationally, which will take significant time and resources and involve significant risk. If we are unable to establish and maintain our relationships with these partners, or otherwise develop and expand our indirect distribution channel, our business, operating results, financial condition, or cash flows could be adversely affected.

We also cannot be certain that we will be able to maintain successful relationships with any strategic partners and, to the extent that our strategic partners are unsuccessful in marketing, selling, or implementing our solutions, our business, operating results, and financial condition could be adversely affected. Our strategic partners may market to our customers the products and services of several different companies, including products and services that compete with our solutions. Because our strategic partners do not have an exclusive relationship with us, we cannot be certain that they will prioritize or provide adequate resources to marketing our solutions. Moreover, divergence in strategy by any of these partners may materially adversely affect our ability to develop, market, sell, or support our solutions. We cannot assure you that our strategic partners will continue to cooperate with us. In addition, actions taken or omitted to be taken by such parties may adversely affect us. We are unable to control the quantity or quality of resources that our systems integrator partners commit to deploying our products and services, or the quality or timeliness of such deployment. If our partners do not commit sufficient or qualified resources to these activities, our customers may be less satisfied, or less supportive with references, or may require the investment of our resources at discounted rates. These, and other failures by our partners to successfully deploy our products and services, may have an adverse effect on our business and our operating results.

***Our business depends largely on our ability to attract and retain talented employees, including senior management, and maintain our corporate culture. If we lose the services of Tien Tzuo, our founder, Chairman, and Chief Executive Officer, or other critical talent across our executive team and in other key roles, or fail to maintain our corporate culture, we may not be able to execute on our business strategy.***

Our future success depends on our continuing ability to attract, train, engage, assimilate, and retain highly skilled personnel, including software engineers, product management, sales, and professional services personnel. We have historically faced intense competition for qualified individuals from numerous software and other technology companies. Although we have experienced decreased voluntary turnover since fiscal 2022, we may experience heightened attrition, including of those with significant institutional knowledge and expertise, negatively impacting productivity and our corporate culture. We may not be able to retain our current key employees, or attract, train, assimilate, or retain other highly skilled personnel in the future, especially in light of uncertain macroeconomic and geopolitical conditions globally. For example, employees may seek new or different opportunities that offer greater compensation or benefits than we offer or are able to offer, making it difficult to retain them. In addition, we may incur significant costs to attract and retain highly skilled personnel, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. As we move into new countries, we will need to attract and recruit skilled personnel in those areas. If we are unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements on a timely basis or at all, our business may be adversely affected. Further, given that our employees continue to be distributed globally and most of our employees continue to work remotely, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture that is focused on inclusivity and high performance, underlying the importance of employee connectivity and accountability.

Additionally, we may periodically implement business strategies that impact our employees, including changes to our organizational structure or workforce adjustments such as our November 2022 workforce reduction. Workforce reductions or restructurings could have an adverse effect on our business, including creating negative employee morale and hindering our ability to meet operational targets due to loss of employees. To the extent our compensation programs and workplace culture are not viewed as competitive, or changes in our workforce or other initiatives are not viewed favorably, our ability to attract, retain, and motivate employees can be weakened, which could harm our results of operations.

Our future success also depends in large part on the continued services of senior management, including Tien Tzuo, our founder, Chairman and Chief Executive Officer, who is critical to the development of our technology, platform, future vision, and strategic direction. We also rely on other leaders and key personnel across our company, including those in our sales, support, operations, and research and development teams, which are distributed in the U.S. and abroad. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time and for any reason, such as retirement or career change. If we lose the services of senior management or other key personnel and fail to execute effective succession planning for such key personnel, or if we are unable to attract, train, assimilate, and retain the highly skilled personnel we need, our business, operating results, and financial condition could be adversely affected.

Volatility or lack of appreciation in our stock price may also affect our ability to attract and retain our key employees. Many of our senior personnel and other key employees hold a substantial amount of equity awards and shares. Employees may be more likely to leave us if our stock price is depressed for an extended period of time as well as if the exercise price of stock options that they hold are significantly above the market price of our Class A common stock (or, conversely, if the equity or vested equity awards they hold have significantly appreciated in value). If we are unable to retain our employees, or if we need to increase our compensation expenses, including equity compensation expenses, to retain our employees, our business, results of operations, financial condition, and cash flows could be adversely affected.

***The market in which we participate is competitive, and our operating results could be harmed if we do not compete effectively.***

The market for our solutions, including our billing, collections, revenue recognition and subscriber experience offerings, in which we participate is highly competitive, rapidly evolving, and fragmented, and subject to changing technology, shifting customer needs, and frequent introductions of new products and services. In addition to our current competitors, an increasing transition to disaggregated solutions that focus on addressing specific customer use cases may continue to disrupt the enterprise software space and enable new competitors to emerge.

Many Certain of our current and potential competitors have longer operating histories, access to alternative fundraising sources, significantly greater financial, technical, marketing, distribution or professional services experience, or other resources or a greater variety of products, better name recognition, and more well-established relationships than we do. In addition, many of our current and potential competitors supply a wide variety of products to, and have strong and well-established relationships with, current and potential customers. As a result, our current and potential such competitors may be able to respond more quickly and effectively or devote more resources than we can to address new or changing opportunities, technologies, standards, or customer requirements or devote greater resources than we can to the development, promotion, and sale of their products and services. requirements. In addition, some current and potential competitors may offer products or services that address one or a limited number of functions at lower prices or with greater depth than our solutions, or integrate or bundle such their products and services with their other product offerings. Potential customers may prefer to purchase from their existing suppliers rather than from a new supplier. Our current and potential competitors Competitors may develop and market new technologies with comparable functionality to our solutions. In addition, because our products and services are integral to our customers' ability to accurately maintain books and records and prepare financial statements, our potential customers may prefer to purchase applications that are critical to their business from one of our larger, more established competitors, or leverage the software that they have already purchased from our competitors for their billing and accounting needs, or control such infrastructure internally. competitors. We may experience fewer customer orders, reduced gross margins, longer sales cycles, and loss of market share. This could lead us share and may need to decrease prices, implement introduce alternative or nominal pricing structures or introduce products and services available for free or a nominal price in order to remain competitive. We may not be able to compete successfully against current and future competitors, and our business and operating results and financial condition will be adversely impacted if we fail to meet these competitive pressures.

Our ability to compete successfully in our market depends on a number of factors, both within and outside of our control. Some of these factors include: ease of use; subscription-based product features and functionality; ability to support the specific needs of companies with subscription business models; ability to integrate with other technology infrastructures and third-party applications; enterprise-grade performance and features such as system scalability, security, performance, and resiliency; vision for the market and product innovation; relationships with strategic partners, including system integrators, management consulting firms, and resellers; total cost of ownership; strength of sales and marketing efforts; brand awareness and reputation; and customer experience, including support and professional services. In addition, if we are unable to effectively articulate the value proposition of our solutions to customers and prospects, we may face difficulties competing in the market, particularly in the current uncertain macroeconomic environment. Any failure by us to compete successfully in any one of these or other areas may reduce the demand for our solutions, as well as adversely affect our business, operating results, and financial condition.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future technology partners. By doing so, these competitors may increase their ability partners, putting them in a better position to meet the needs of our customers or potential customers. These developments could limit customers, limiting our ability to obtain revenue from existing and new customers. If we are unable to compete successfully against current and future competitors, our business, operating results, and financial condition could be adversely impacted.

***Our business depends largely on our ability to attract and retain talented employees, including senior management, and maintain our corporate culture. If we lose the services of Tien Tzuo, our founder, Chairman, and CEO, or other critical talent across our executive team and in other key roles, or fail to maintain our corporate culture, we may not be able to execute on our business strategy.***

We have historically faced intense competition for qualified individuals and our future success depends on our continuing ability to attract, train, engage, assimilate, and retain highly skilled personnel. Although we have experienced decreased voluntary turnover since fiscal 2022, we may experience heightened attrition, including of those with significant institutional knowledge and expertise, adversely impacting productivity and our corporate culture. We may not be able to retain our current key employees, or attract, train, assimilate, or retain other highly skilled personnel in the future. In addition, attracting and retaining highly skilled personnel is costly, and we may lose new employees before we realize the benefit of our investment in recruiting and training them. If we are unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements on a timely basis or at all, our business may be adversely affected. Further, given that our employees continue to be distributed globally and most of our employees continue to work remotely in some capacity, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture.

Changes to our business strategies, including changes to our organizational structure or workforce adjustments such as workforce reductions, could have an adverse effect on our business, including creating negative employee morale, harming our reputation and making it difficult to attract new talent, contributing to attrition of employees targeted for retention, and hindering our ability to meet operational targets due to loss of employees. To the extent our workplace is not viewed as competitive, or changes in our workforce or other initiatives are not viewed favorably, our ability to attract, retain, and motivate employees can be weakened, which could harm our operating results.

In order to attract and retain personnel in a competitive marketplace, we believe that we must provide a competitive compensation package, including cash and equity-based compensation. Many of our senior personnel and other key employees hold a substantial amount of equity awards and shares and volatility or lack of appreciation in our stock price may affect our ability to attract and retain our senior personnel and key employees. If our stock price is depressed for an extended period of time or if the exercise price of outstanding stock options are significantly above the market price of our Class A common stock (or, conversely, if outstanding equity or vested equity awards have significantly appreciated in value), employees may leave us. We therefore may modify our compensation policies by, for example, increasing cash compensation to certain employees or modifying existing share options, which may increase our operating expenses and dilute our shareholders. Alternatively, we may elect to reduce equity compensation to mitigate the effects of dilution, which could adversely impact employee retention. We cannot be certain that these and any other changes in our compensation policies will or would improve our ability to attract, retain and motivate employees.

Our future success also depends in large part on the continued services of senior management, including Tien Tzuo, our founder, Chairman and CEO, who is critical to the development of our technology, platform, future vision, and strategic direction. We also rely on other leaders and key personnel across our company. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time and for any reason. If we lose the services of senior management or other key personnel and fail to execute effective succession planning for such key personnel, or if we are unable to attract, train, assimilate, and retain the highly skilled personnel we need, our business, operating results, and financial condition could be adversely affected.



***If we are unable to grow our sales channels and our relationships with strategic partners, such as system integrators, management consulting firms, and strategic technology partners, sales of our products and services may suffer and our growth could be slower than we project.***

In addition to our direct sales force, we use strategic partners, such as system integrators, management consulting firms, and strategic technology partners, to market, sell, and implement our solutions. While we expect to continue to utilize our own professional services, especially for smaller fast-growing companies, we also expect to utilize strategic partners, and as a result we expect our professional services revenue as an overall percentage of Zuora's total revenue to continue to decline over time. Our relationships with these strategic partners are still evolving, and we cannot assure you that these partners will be successful in marketing, selling or implementing our solutions. Identifying strategic partners, negotiating and supporting relationships with them, including training them in how to sell or deploy our solutions, and maintaining these relationships requires significant commitment of time and resources that may not yield a significant return on our investment in these relationships. If we are unable to establish and maintain our relationships with these partners, or otherwise develop and expand our indirect distribution channel, our business, operating results, financial condition, or cash flows could be adversely affected.

Our strategic partners do not have an exclusive relationship with us, and as a result, they may not continue to cooperate with us, choose not to prioritize our products and services, or even market competitive products and services to our customers. We are also unable to control the quantity or quality of resources that our strategic partners commit to deploying our products and services, or the quality or timeliness of such deployment. As a result, our customers may be less satisfied, or less supportive with references, or may require the investment of our resources at discounted rates. These, and other failures by our partners to successfully deploy our products and services, may have an adverse effect on our business and our operating results.

***Current and future economic uncertainty and other unfavorable conditions in our industry or the global economy have limited and may continue to limit our ability to grow our business and adversely affect our operating results.***

Our operating results may vary based on the impact of changes in the U.S. and global economy, including fluctuations in inflation and interest rates, geopolitical tensions, debt and equity market fluctuations, diminished liquidity and credit availability, bank failures, debt ceiling negotiations, potential government shutdowns, recessionary conditions and general economic downturns, which can arise suddenly. The impact, duration and severity of such uncertainty can be difficult to predict. As a result of ongoing uncertain macroeconomic conditions, and related corporate cost cutting and tighter budgets, we have experienced and may continue to experience longer sales cycles and collection periods. Prolonged macroeconomic uncertainty could continue to adversely affect the ability or willingness of our current and prospective customers to purchase or expand their purchase of our products, further delay customer purchasing decisions, reduce the value of customer contracts, affect attrition rates,

or further lengthen collection periods, which could materially and adversely affect our business, operating results, financial conditions and prospects. Moreover, any future banking system disruptions may impact our or our customers' liquidity and, as a result, adversely impact our business and operating results.

***We have a history of net losses and may not achieve or sustain profitability.***

We have incurred net losses in each fiscal year since inception, including net losses of \$68.2 million, \$198.0 million, and \$99.4 million and \$73.2 million in fiscal 2024, 2023, 2022, and 2021, 2022, respectively, and may continue to incur net losses in the future. As of October 31, 2023, we had an accumulated deficit of \$808.8 million. As we grow, we We expect to make additional expenditures related to the development develop and expansion of expand our business, including increasing our overall customer base, expanding relationships with existing customers, entering new vertical markets, expanding our global footprint, expanding and leveraging our relationships with strategic partners including (including system integrators to accelerate our growth, integrators), optimizing pricing and packaging, and expanding our operations and infrastructure. infrastructure, and potentially acquiring other businesses. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these increased expenses. In addition, we may delay or reevaluate some or all of the foregoing initiatives in the event that macroeconomic conditions or other factors, including those beyond our control, adversely impact our business or operating results. Any delays or reductions in spending in our business development or expansion efforts results and may negatively adversely affect our ability to expand our operations and maintain or increase our sales. While our revenue has grown in recent years, such results are not indicative of future growth and if our revenue declines or fails to grow, at a rate faster than these increases in our operating expenses, we may not be able to achieve or maintain profitability in future periods.

***Our revenue growth and ability to achieve and sustain profitability will depend, in part, on being able to increase the productivity of our sales force.***

To date, most of our revenue has been attributable to the efforts of our direct sales force. In order to increase our revenue and achieve and sustain profitability, we must increase the productivity of our direct sales force, both in the United States and internationally, to generate additional revenue from new and existing customers.

There is significant competition for sales personnel with the skills and technical knowledge that we require, and we may experience difficulties attracting qualified sales personnel to meet our needs in the future. Because our Our solutions are often sold to large enterprises and may involve long sales cycles and complex customer requirements, it is more difficult to find sales personnel with the specific skills and technical knowledge needed to sell our solutions and, even if we are able to hire qualified personnel, doing so may be expensive. requirements. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, hiring, training, motivating, and retaining sufficient numbers of direct effective sales personnel to support our growth. Due growth, and such efforts may be difficult and expensive. If we are not able to the complexities attract and maintain sufficient numbers of our customer needs, new effective sales personnel, require significant training and can take a number of months to achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect and if our new sales employees personnel do not become fully productive reach sufficient levels of productivity on the timelines that we have projected or at all, or our sales personnel are not successful in bringing potential customers into the pipeline, converting them into new customers, or increasing sales to our existing customer base, our revenue will not increase at anticipated levels and our ability to achieve long-term projections may be negatively adversely impacted.

We may also be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business operate or plan to do business. operate. Furthermore, hiring sales personnel in new countries requires additional set up and upfront costs that we may not recover if the sales personnel fail to achieve full productivity. In addition, as we continue to grow, a larger percentage of our sales force will be new to our company and our solutions, which may adversely affect our sales if we cannot train our sales force quickly or effectively. Attrition rates may increase, and we may also face integration challenges as we continue to seek to expand our sales force inherent in the long-term, efficiently managing an increased number of employees over large geographic distances. If we are unable to hire and train sufficient numbers of effective sales personnel, if attrition increases, or if the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be adversely affected.

We periodically change and make adjustments to our sales organization in in response to market opportunities, competitive threats, management changes, product and service introductions or enhancements, acquisitions, sales performance, increases in sales headcount, cost levels, and other internal and external considerations, including potential

changes and uncertainties associated with macroeconomic conditions or other factors beyond we periodically adjust our control. sales organization. Any future changes in our sales organization may result in a temporary reduction of productivity, which could negatively adversely affect our rate of growth. In addition, any significant change to the way we structure our compensation of our sales organization may be disruptive and may affect our revenue growth.

**Our success depends in large part on a limited number of products. If these products, enhancements to these products, or future products we develop, fail to gain or lose market acceptance, our business will suffer.**

We derive and expect to continue to derive substantially all of our revenue and cash flows from sales of subscriptions and associated deployment of our Zuora Platform Billing, Zuora Revenue, Zuora Payments, Zeph, Zuora Billing, Zuora Revenue, Platform and Zuora Payments products, and with the acquisition of Zeph, a digital subscriber experience platform, in fiscal 2023, we added the Zeph subscription experience product to our portfolio. As such, the other software products. The continued growth in market demand for these products is critical to our success. Demand for our solutions is affected success and may be impacted by a number of factors many of which are beyond our control, including macroeconomic factors, such as the impacts of inflation and rising interest rates on our customers and prospects, the growth or contraction of the Subscription Economy, continued market acceptance outside of our solutions by customers for existing and new use cases, the timing of development and release of new products and services, features, and functionality introduced by our competitors, changes in accounting standards, laws or regulations, policies, guidelines, interpretations, or principles that would impact the functionality and use of our solutions, and technological change. We expect that an increasing transition to disaggregated solutions that focus on addressing specific customer use cases would continue to disrupt the enterprise software space, enabling new competitors to emerge. control. We cannot assure you that our solutions, and future enhancements to our solutions, or new products we develop or add to our portfolio as a result of

future acquisitions, will be able to address future advances in technology or the requirements of enterprise customers, including changing requirements from existing customers. If we are unable to meet customer demands in creating flexible solutions designed to address all these needs or otherwise achieve more widespread market acceptance of our solutions, our business, operating results, financial condition, and growth prospects would be adversely affected.

**Currency exchange rate fluctuations may adversely affect our results of operations, which are reported in U.S. Dollars. operating results.**

Our international operations expose us to the effects of fluctuations in currency exchange rates, and may increase the cost of our solutions to customers outside of the United States when the U.S. Dollar is stronger relative to other currencies. Currency exchange rate fluctuations have and may adversely affect our business, operating results, financial condition, and cash flows.

In addition, we incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. Dollar and other currencies could result in the dollar equivalent of such expenses being higher. Furthermore, volatile market conditions arising from current and potential future macroeconomic conditions and geopolitical events including the ongoing conflicts in Ukraine and Israel, may result in significant fluctuations in exchange rates, and, in particular, a weakening of foreign currencies relative to the U.S. Dollar may negatively adversely affect our revenue. This could have a negative an adverse impact on our operating results. Although we may in the future decide to undertake foreign exchange hedging transactions to cover a portion of our foreign currency exchange exposure, we currently do not hedge our exposure to foreign currency exchange risks.

**We face risks related to our debt obligations, including our convertible senior unsecured notes and warrants. obligations.**

We have issued \$400.0 million aggregate principal amount of convertible senior unsecured notes due in 2029 (collectively, the "2029 Notes") (the 2029 Notes) and warrants for 7.5 million shares of our Class A common stock (Warrants) (the Warrants) to Silver Lake Alpine II, L.P. (Silver Lake).

Our debt obligations under the 2029 Notes could adversely impact us. For example, these obligations could:

- require us to use a substantial portion of our cash flow from operations to pay principal and interest on debt, or to repurchase our the 2029 Notes when required upon the occurrence of certain events or otherwise pursuant to the terms thereof, which will reduce or exhaust the amount of cash flow available to fund working capital, capital expenditures, acquisitions, and other business activities; activities and could require us to seek additional financing that may not be available on favorable terms, or at all;
- require us to use cash and/or issue shares of our Class A common stock to settle any obligations;
- result in certain of our debt instruments being accelerated or being deemed to be in default if certain terms of default are triggered, such as applicable cross payment default and/or cross-acceleration provisions;
- adversely impact our credit rating, which could increase future borrowing costs;
- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, and other general corporate requirements;
- restrict our ability to create or incur liens and engage in other transactions and activity;
- increase our vulnerability to adverse economic and industry conditions;
- dilute our outstanding Class A common stock, which, to the extent we generate net income, may negatively impact earnings per share, as a result of the conversion provisions in the 2029 Notes; and
- place us at a competitive disadvantage compared to our less leveraged competitors.

Additionally, due to certain settlement provisions in associated with the 2029 Notes and Warrants, we have classified all of the Warrants and a portion of the Warrants debt conversion option as a current liability and revalue the liability these liabilities on a quarterly basis, which may adversely affect our future operating results and financial condition as reported on a GAAP basis.

We also have a \$30.0 million revolving credit facility, which is currently undrawn, under an agreement with Silicon Valley Bank, a division of First-Citizens Bank & Trust. The credit facility contains restrictive covenants, including limitations on our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of

control, acquire other companies, pay dividends or repurchase our stock, incur additional indebtedness and liens and enter into new businesses. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the credit facility. Failure to comply with the covenants or other restrictions could result in a default. In addition, the credit facility is secured by substantially all of our non-intellectual property assets and requires us to satisfy certain financial covenants.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flows in the future. This, to some extent, is subject to market, economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, **either on favorable terms or** in amounts sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. For example, we may utilize proceeds from the 2029 Notes for acquisitions or other investments **that do or for other corporate purposes, such as purchases of our outstanding common stock. Any such actions may** not increase our enterprise **value or value.** If we **may otherwise be** are unable to generate sufficient cash **flows** flow to **repay** service our debt obligations, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional capital on terms that may be onerous or highly dilutive. Our ability to refinance the 2029 Notes, our revolving credit facility or future indebtedness will depend on market conditions and our financial condition at such time. We may not be able to engage in any of these activities on desirable terms, or at all, which **could result in a default on our debt obligations. Any such default could have a material adverse effect on our business and financial condition.** See Note 9. Debt and Note **17, 10.** Warrants to Purchase Shares of Common Stock of the Notes to Condensed Consolidated Financial Statements for more information about the 2029 Notes, Warrants and the revolving credit facility.

**Our operating results may fluctuate from quarter to quarter, which makes our future results difficult to predict.**

Our quarterly operating results have fluctuated in the past and may fluctuate in the future. As a result, you should not rely upon our past quarterly operating results as indicators of future performance. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly evolving markets, such as the risks and uncertainties described herein. Our operating results in any given quarter can be influenced by numerous factors, many of which are unpredictable or are outside of our control, including:

- our ability to maintain and grow our customer **base; base and convert our pipeline into paying customers;**
- our ability to retain and increase revenue from existing customers;
- our ability to introduce new products and services, **balance investment in our suite of products in ways that maximize revenues,** and enhance existing products and services;
- our ability to integrate or implement our existing products and services on a timely basis or at all;
- our ability to deploy our products successfully within our customers' information technology ecosystems;
- **our ability to enter into larger contracts;**
- increases or decreases in subscriptions to our platform;
- our ability to sell to large enterprise **customers; customers and fast-growing companies;**
- the transaction volume that our customers process through our system;
- our ability to respond to competitive developments, including competitors' pricing changes and their introduction of new products and services;
- macroeconomic conditions, including the **impact effects** of foreign exchange fluctuations and rising interest rates and inflation, including wage inflation;
- changes in the pricing of our products;
- the productivity of our sales force;
- our ability to grow our relationships with strategic partners such as system integrators and their effectiveness in increasing our sales and implementing our products;
- changes in the mix of products and services that our customers use;
- the length and complexity of our sales cycles;
- cost to develop and upgrade our solutions to incorporate new technologies;
- seasonal purchasing patterns of our customers;
- the impact of outages of our solutions and reputational harm;
- costs related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- failures or breaches of security or privacy, and the costs associated with responding to and addressing any such failures or breaches;
- changes to financial accounting standards and the interpretation of those standards that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue;
- **the impact of changes to financial accounting standards;**
- **general economic and political conditions and government regulations in the countries where we currently operate or plan to expand;**
- decisions by us to incur additional expenses, such as increases in sales and marketing or research and development;
- the timing of stock-based compensation expense;

- political unrest, changes and uncertainty associated with terrorism, hostilities, war (including the ongoing conflicts in Ukraine and Israel), natural disasters, pandemics, and the continuing disruptions to the global banking system; and
- potential costs to attract, onboard, retain, and motivate qualified personnel.

The impact of one or more of the foregoing and other factors may cause our operating results to vary significantly. As such, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance. If we fail to meet or exceed the expectations of investors or securities analysts, or perform below any guidance we may provide, then the trading price of our Class A common stock could fall substantially, and we could face costly lawsuits, including shareholder litigation.

**The growth forecasts and expectations regarding trends for our key operational and financial metrics that we have provided publicly may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth or certain of the expected trends our key operational and financial metrics are accurate, our business could fail to grow at similar rates, if at all.**

Growth forecasts and our expectations regarding trends for our key operational and financial metrics are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts we have provided publicly relating to the expected growth of the markets in which we compete may prove to be inaccurate due to unforeseen or unanticipated events. Even if these markets experience the growth we forecast, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in executing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth we have provided publicly should not be taken as indicative of our future growth.

**If we are not able to develop and release new products and services, or successful enhancements, new features, and modifications to our existing products and services, or otherwise successfully implement our multi-product strategy, our business could be adversely affected.**

Our industry and the market for our solutions are characterized by rapid technological change and innovations (such as the use of artificial intelligence AI and machine learning technologies), frequent new product and service introductions and enhancements, changing customer demands, and evolving industry standards. If we are unable to develop new products that achieve market acceptance, provide enhancements and new features, or innovate quickly enough to keep pace with these rapid technological developments, our business could be harmed. Additionally, because we provide billing and finance solutions to help our customers with compliance and financial reporting, changes in law, regulations, and accounting standards could impact the usefulness of our products and services and could necessitate changes or modifications to our products and services to accommodate such changes. Subscription management Monetization products and services, including our billing, collections payments and revenue recognition offerings, are inherently complex, and our ability to implement our multi-product strategy, including developing, releasing, marketing and selling new products and services or enhancements, new features and modifications to our existing products and services depends on several factors, including our internal departments aligning their respective responsibilities, timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies and our solutions, and overall market acceptance. We cannot be sure that we will succeed in developing, marketing, and delivering on a timely and cost-effective basis enhancements or improvements to our platform or any new products and services that respond to continued changes in subscription management monetization practices or new customer requirements, nor can we be sure that any enhancements or improvements to our platform or any new products and services will achieve market acceptance. Since developing our solutions is complex, the timetable for the release of new products and enhancements to existing products is difficult to predict, and we may not offer new products and updates as rapidly as our customers require or expect. In addition, our product development efforts could be delayed or otherwise negatively adversely impacted if there is an adverse geopolitical event in the countries where we operate, including in China and India where we have a sizable number of research and development employees. Any new products or services that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. The introduction of new products and enhancements could also increase costs associated with customer support and customer success as demand for these services increase. This increase in cost could negatively adversely impact profit margins, including our gross margin. Moreover, even if we introduce new products and services, we may experience a decline in revenue of our existing products and services that is not offset by revenue from the new products or services. For example, customers may delay making purchases of new products and services to permit them to make a more thorough evaluation of these products and services or until industry and marketplace reviews become widely available. Some customers may hesitate to migrate to a new product or service due to concerns regarding the complexity of migration or performance of the new product or service. In addition, we may lose existing customers who choose a competitor's products and services or choose to utilize internally developed applications instead of our products and services. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

In addition, because our products and services are designed to interoperate with a variety of other internal or third-party software products and business systems applications, we will need to continuously modify and enhance our products and services to keep pace with changes in application programming interfaces (APIs), APIs, and other software and database technologies. We may not be successful in either developing these new products and services, modifications, and enhancements or in bringing them to market in a timely fashion. There is no assurance that we will successfully resolve such issues in a timely and cost-effective manner. Furthermore, modifications to existing platforms or technologies, including any APIs with which we interoperate, will increase our research and development expenses. Any failure of our products and services to operate effectively with each other or with other platforms and technologies could reduce the demand for our products and services, result in customer dissatisfaction, and adversely affect our business.

**We may acquire or invest in additional companies, which may divert our management's attention, result in additional dilution to our stockholders, and consume resources that are necessary to sustain our business. We may be unable to integrate acquired businesses and technologies successfully or to achieve the expected benefits of such acquisitions.**

Our business strategy includes acquiring other complementary products, technologies, or businesses, such as our acquisition of Zephr Inc Limited (Zephr) in September 2022, 2022 and our acquisition of Togai in May 2024. We regularly evaluate and consider potential strategic transactions. An acquisition, investment, or business relationship may result in unforeseen operating difficulties and expenditures, expenditures that may impact our operating results. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired companies choose not to work for us, if an acquired company's software is not easily adapted to work with ours, or if we have difficulty retaining the customers of any acquired business due to changes in management or otherwise.

Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for other business development activities. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown liabilities.



We may in the future acquire or invest in additional businesses, products, technologies, or other assets. We also may enter into relationships with other businesses to expand our products and services or our ability to provide our products and services in foreign jurisdictions, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing, or investments in other companies. Negotiating these transactions can be time consuming, difficult, and expensive, and our ability to close these transactions may be subject to approvals that are beyond our control. In addition, we have limited experience in acquiring other businesses. We may be unable to find and identify desirable acquisition targets, may incorrectly estimate the value of a target, may fail to conduct effective due diligence on a target to identify problems or incompatibilities or obstacles to integration, or may not be successful in entering into an agreement with any particular target. Consequently, these transactions, even if undertaken and announced, may not close. For any transactions we undertake, we may:

- issue additional equity securities that would dilute our stockholders;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur large charges or substantial liabilities;
- incur operating losses, including due to integration-related charges;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures; and
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

Any of these risks could adversely impact our business and operating results.

***A customer's failure to deploy our solutions after it enters into a subscription agreement with us, or the incorrect or improper deployment or use of our solutions could result in customer dissatisfaction, harm our reputation and negatively brand, and adversely affect our business, operating results, financial condition, and growth prospects.***

Our solutions are deployed in a wide variety of technology environments and into a broad range of complex workflows. We believe our future success will depend in part on our ability to increase both the speed and success of our deployments, by improving our deployment methodology, hiring and training qualified professionals, deepening relationships with deployment partners, and increasing our ability to integrate into large-scale, complex technology environments. We often assist our customers in deploying our solutions, either directly or through our deployment partners. In other cases, customers rely on third-party partners to complete the deployment. In some cases, customers initially engage us to deploy our solutions, but, for a variety of reasons, including strategic decisions not to utilize subscription recurring revenue business models, fail to ultimately deploy our solutions. If we or our third-party partners are unable to deploy our solutions successfully, or unable to do so in a timely manner and, as a result, customers do not utilize our solutions, we would not be able to generate future revenue from such customers based on transaction or revenue volume and the upsell of additional products and services, and our future operating results could be adversely impacted. In addition, customers may also seek refunds of their initial subscription fee.

Moreover, customer perceptions of our solutions may be impaired, our reputation and brand may suffer, and customers may choose not to renew or expand their use of our solutions.

***As a substantial portion of our sales efforts are increasingly targeted at large enterprise customers, our sales cycle for these customers may become longer and more expensive, we may encounter still greater pricing pressure and deployment and customization challenges, and we may have to delay revenue recognition for more complicated transactions, all of which could adversely impact our business and operating results.***

As a substantial portion of our sales efforts are increasingly targeted at large enterprise customers, we may face greater costs, longer sales cycles, and less predictability in the completion of some of our sales. sales to these customers. In this market segment, the customer's decision to use our solutions may be an enterprise-wide decision, in which case these types of sales frequently require approvals by multiple departments and executive-level personnel and require us to provide greater levels of customer education regarding the uses and benefits of our solutions, as well as education regarding security, privacy, and scalability of our solutions, especially for large "business to consumer" customers or those with extensive international operations. These large enterprise transactions might also be part of a customer's broader business model or business systems transformation project, which are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing, security review, and other delays that could further lengthen the sales cycle. Larger enterprises typically have longer decision-making and deployment cycles, may have greater resources to develop and maintain customized tools and applications, demand more customization, require greater functionality and scalability, expect a broader range of services, demand that vendors take on a larger share of risks, demand increased levels of customer service and support, require acceptance provisions that can lead to a delay in revenue recognition, and expect greater payment flexibility from vendors. We

are often required to spend time and resources to better familiarize potential customers with the value proposition of our solutions. As a result of these factors, sales opportunities with large enterprises may require us to devote greater sales and administrative support and professional services resources to individual customers, which could increase our costs, lengthen our sales cycle, and divert our sales and professional services resources to a smaller number of larger customers. We may spend substantial time, effort, and money in our sales, design and implementation efforts without being successful in producing any sales or deploying our products in such a way that is satisfactory to our customers. All these factors can add further risk to business conducted with these customers. In addition, if sales expected from a large customer for a particular quarter are not realized in that quarter or at all, our business, operating results, and financial condition could be materially and adversely affected.

Furthermore, our sales and implementation cycles could be interrupted or affected by other factors outside of our control. For example, due to global economic uncertainty, rising inflation and interest rates, and foreign exchange fluctuations, many large enterprises have generally reduced or delayed technology or other discretionary spending, which may materially and negatively adversely impact our operating results, financial condition and prospects.

***Our long-term success depends, in part, on our ability to expand the sales of our solutions to customers located outside of the United States. Our current international operations, and any further expansion of those operations, expose us to risks that could have a material adverse effect on our business, operating results, and financial condition.***

We conduct our business activities in various foreign countries and have operations in North America, Europe, Asia, and Australia. During the **nine three** months ended **October 31, 2023** **April 30, 2024**, we derived approximately **36%** **37%** of our total revenue from customers located outside the United States. Our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple cultures, customs, legal systems, regulatory systems, and commercial infrastructures. International expansion requires us to invest significant funds and other resources. Our operations in international markets may not develop at a rate that supports our level of investment. Our international operations, including any future expansion, may subject us to risks, including with:

- recruiting and retaining talented and capable employees in foreign countries;
- **efficiently managing employees over large geographic distances;**
- **maintaining our company culture with a dispersed workforce;**
- providing our solutions to customers from different cultures, which may require us to adapt sales practices, modify our solutions, and provide features necessary to effectively serve the local market;
- compliance with multiple, conflicting, ambiguous or evolving governmental laws and regulations and court decisions, including those relating to employment matters, e-invoicing, consumer protection, **intellectual property**, privacy, data protection, information security, data residency, and encryption;
- **investing in infrastructure, typically well in advance of revenue generation;**
- longer sales cycles in some countries;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- credit risk and higher levels of payment fraud;
- weaker privacy and intellectual property protection in some countries, including China and India;
- compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (FCPA) and the UK Bribery Act 2010 (UK Bribery Act);
- currency exchange rate **fluctuations;** **fluctuations and inflationary pressure;**
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, and other trade barriers or protection measures;
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States;
- economic instability and inflationary conditions;
- political instability and unrest, including the effects of the ongoing conflicts in Ukraine and Israel, especially as it impacts countries in **Europe;** **Europe**, and changes in the **public perception of governments in the countries where we operate or plan to operate;**
- corporate espionage;
- **treatment of revenue from international sources and** compliance with the laws of numerous taxing jurisdictions, both foreign and domestic, in which we conduct business, potential double taxation of our international earnings, and potentially adverse tax consequences due to changes in applicable U.S. and foreign tax laws;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad;
- disruptions to the U.S. and international banking systems;
- increased costs to establish and maintain effective controls at foreign locations; and
- overall higher costs of doing business internationally.

In addition, geopolitical tensions in countries where we operate may increase our costs of or otherwise prevent us from operating in these countries. If authorities in these locations impose costly or overly burdensome requirements or other sanctions, we may not be able to continue or may need to limit our operations in these countries. For example, we have approximately 150 employees in China, of which most are on our research and development and engineering operations teams. If trade relations between the U.S. and China continue to deteriorate or if sanctions or other regulatory requirements are imposed on our operations in China, it could negatively impact our business operations, product development plans, **operating results**, and financial condition.

***Our growth forecasts we have provided publicly may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, we cannot assure that our business will grow at similar rates, if at all.***

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts we have provided publicly relating to the expected growth of the markets in which we compete may prove to be inaccurate. Even if these markets experience the growth we forecast, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in executing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth we have provided publicly should not be taken as indicative of our future growth.

***If we fail to offer high-quality support and training to our customers and third-party partners, our business and reputation will suffer.***

Once our solutions are deployed to our customers, our customers rely on support services from us and from our third-party partners to resolve any related issues. High-quality education, training and support for our customers and third-party partners is important for the successful marketing and sale of our products **to new customers and for the renewal of to maintain and expand our relationship with** existing customers. The importance of high-quality customer and third-party partner training and support will increase as we expand our business and pursue new **enterprises**, customers. As we add or integrate new services to our portfolio (such as with our acquisition of Zephr), and as we expand internationally,

we and our third-party partners may experience challenges in accurately assessing the capabilities of, and providing technical support for, such services. In addition, we are unable to control our third-party partners and therefore cannot control the speed or effectiveness of their support services, which could harm our reputation. If we or our third-party partners do not help our customers quickly resolve post-deployment technical and operational issues related to our platform, including configuring and using features, and provide them with effective ongoing customer support, our ability to upsell additional products to existing customers could suffer and our reputation with existing or potential customers could be harmed.

**Future changes in market conditions or customer demand could require changes to our prices or pricing model, which could adversely affect our business, operating results, and financial condition.**

We generally charge our customers a flat fee for their use of our platform and modules and a variable fee based on the amount of transaction volume they process through our system and the number of their subscribers. If our customers do not increase their transaction volume or the number of their subscribers, or an event outside of our control, such as an economic downturn, reduces their transaction volume or the number of their subscribers, our revenue may be adversely impacted by customers reducing their contracted transaction volume. We have limited experience with respect to determining the optimal prices for our platform, and, as a result, we have in the past needed to, and expect in the future to need to, change our pricing model from time to time. As the market for our platform products matures, or as new competitors introduce new products or services that compete with ours or reduce their prices, we may be unable to attract or retain customers at the same price or based on the same pricing models as we have used historically. We may experience pressure to change our pricing model to defer fees until our customers have fully deployed our solutions. Moreover, larger organizations, which comprise a large and growing component of our sales efforts, may demand substantial price concessions. As a result, in the future, we may be required to reduce our prices or change our pricing model, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

**If we fail to integrate our solutions with a variety of operating systems, software applications, and hardware platforms that are developed by others, our solutions may become less marketable, less competitive, or obsolete, and our operating results may be adversely affected.**

Our solutions must integrate with a variety of network, hardware, and software platforms, and we need to continuously modify and enhance our solutions to adapt to changes in cloud-enabled hardware, software, networking, browser, and database technologies. We have developed our solutions to be able to integrate with third-party SaaS applications, including the applications of software providers that compete with us, through the use by utilization of APIs. For example, Zuora CPQ integrates with certain capabilities of Salesforce using publicly available APIs. In general, we rely on the fact that the providers of such software systems, including Salesforce, continue to allow us access to their APIs to enable these integrations, and the terms with such companies may be subject to change from time to time. We also integrate certain aspects of our solutions with other platform providers. We may not be successful in either developing necessary modifications and enhancements or resolving interoperability issues in a timely and cost-effective manner. Any failure of our products and services to continue to operate effectively with third-party infrastructures and technologies, as well as any change or deterioration in our relationship with any platform provider, may reduce the demand for our products and services, resulting in dissatisfaction of our customers, and may materially and adversely impact our business and operating results.

Our business may be adversely impacted if any platform provider:

- discontinues or limits our access to its APIs;
- makes changes to its platform;
- terminates or does not allow us to renew or replace our contractual relationship;
- modifies its terms of service or other policies, including fees charged to, or other restrictions on, us or other application developers, or changes how customer information is accessed by us or our customers;
- establishes more favorable relationships with one or more of our competitors, or acquires one or more of our competitors or is acquired by a competitor and offers competing services to us; or
- otherwise develops its own competitive offerings.

In addition, we have benefited from these platform providers' brand recognition, reputations, and customer bases. Any losses or shifts in the market position of these platform providers in general, in relation to one another or to new competitors or new technologies could lead to losses in our relationships or customers, or to our need to identify or transition to alternative channels for marketing our solutions. Such changes could consume substantial resources and may not be effective. If we are unable to respond to changes in a cost-effective manner, our solutions may become less marketable, less competitive, or obsolete and our operating results may be negatively adversely impacted.

**If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.**

We believe that developing, maintaining, and enhancing awareness and integrity of our brand and reputation in a cost-effective manner are important to achieving widespread acceptance of our solutions and are important elements in attracting new customers and maintaining existing customers. We believe that the importance of our brand and reputation will increase as competition in our market further intensifies. Successful promotion of our brand and the Subscription Economy concept will depend on the effectiveness of our marketing efforts, our ability to provide reliable and useful solutions at competitive prices, the perceived value of our solutions, and our ability to provide quality customer support. In addition, the promotion of our brand requires us to make substantial expenditures, and we anticipate that the our expenditures will increase as our market becomes more competitive, as we expand into new markets, and as more sales are generated through our strategic partners. Brand promotion activities may not yield increased revenue, and even if they do, the increased revenue may not offset the expenses we incur in building and maintaining our brand and reputation. We also rely on our customer base and community of end-users in a variety of ways, including to give us feedback on our solutions and to provide user-based support to our other customers. If we fail to promote and maintain our brand successfully or to maintain loyalty among our customers, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract new customers and partners or retain our existing customers and partners and our business and financial condition may be adversely affected. Any negative publicity relating to our customers, employees, partners, or others associated with these parties, may also tarnish our own reputation simply by association and may reduce the value of our brand. Damage to our brand and reputation may result in reduced demand for our solutions and increased risk of losing market share to our competitors. Any efforts to restore the value of our brand and rebuild our reputation may be costly and may not be successful.

**We employ third-party licensed software for use in or with our software, and the inability to maintain these licenses or errors in the software we license could result in increased costs or reduced service levels, which could adversely affect our business.**

Our software incorporates certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the foreseeable future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, including open source software, this may not always be the case, or it may be difficult or costly to migrate to other third-party software. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties. In addition, integration of our software with new third-party software may require significant work and require substantial investment of our time and resources. Also, any undetected or uncorrected errors or defects in third-party software could prevent the deployment or impair the functionality of our software, present security risks, delay new updates or enhancements to our solutions, result in a failure of our solutions, and **injure harm** our reputation.

***Certain of our operating results and financial metrics may be difficult to predict as a result of seasonality.***

Although we have not historically experienced significant seasonality with respect to our subscription revenue throughout the year, we have seen seasonality in our sales cycle as a large percentage of our customers make their purchases in the third month of any given quarter. In addition, our fourth quarter has historically been our strongest quarter. We believe that this results in part from the procurement, budgeting, and deployment cycles of many of our customers. We generally expect a relative increase in sales in the second half of each year as budgets of our customers for annual capital purchases are being fully utilized. We may be affected by seasonal trends in the future, particularly as our business **matures, matures and diversifies**. Such seasonality may result from a number of factors, including a slowdown in our customers' procurement process during certain times of the year, both domestically and internationally, and customers choosing to spend remaining budgets shortly before the end of their fiscal years. These effects may become more pronounced as we target larger organizations and their larger budgets for sales of our solutions. Additionally, this seasonality may be reflected to a much lesser extent, and sometimes may not be immediately apparent, in our revenue, due to the fact that we recognize subscription revenue over the term of the applicable subscription agreement. In addition, our ability to record professional services revenue can potentially vary based on the number of billable days in the given quarter, which is impacted by holidays and vacations. To the extent we experience this seasonality, it may cause fluctuations in our operating results and financial metrics and make forecasting our future operating results and financial metrics more difficult.

**Risks Related to Information Technology, Intellectual Property, and Data Security and Privacy**

***If our security measures are breached or if unauthorized access to customer, employee or other confidential data is otherwise obtained, or if our solutions are perceived as not being secure, we may lose existing customers or fail to attract new customers, our business may be harmed and we may incur significant liabilities.***

Our solutions involve the storage, transmission and processing of our customers' proprietary data, including highly confidential financial information regarding their business, and personal or confidential information of our customers' customers or other end users. Additionally, we maintain our own proprietary, confidential and otherwise sensitive information, including employee information. While we have security measures in place **designed** to protect customer information and prevent data loss and other security breaches, these measures may be breached as a result of third-party action, including cyberattacks or other intentional misconduct by computer hackers, employee error, malfeasance or otherwise. The risk of a cybersecurity incident occurring has increased as more companies and individuals work remotely, potentially exposing us to new, complex threats. Additionally, due to political uncertainty and military actions such as those associated with the conflicts in Ukraine and Israel, we and our service providers are vulnerable to heightened risks of cybersecurity incidents and security and privacy breaches from or affiliated with nation-state actors. If any unauthorized or inadvertent access to, or a security breach or incident impacting our platform or other systems or networks used in our business occurs, such event could result in the loss, alteration, or unavailability of data, unauthorized access to, or use or disclosure of data, and any such event, or the belief or perception that it has occurred, could result in a loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, and damages for contract breach or penalties for violation of applicable laws or regulations.

Service providers who store or otherwise process data on our behalf, including third party and public-cloud infrastructure, also face security risks. As we rely more on third-party and public-cloud infrastructure and other third-party service providers, we will become more dependent on third-party security measures to protect against unauthorized access, cyberattacks and the mishandling of customer, employee and other confidential data and we may be required to expend significant time and resources to address any incidents related to the failure of those third-party security measures. Our ability to monitor our third-party service providers' data security is limited, and in any event, attackers may be able to circumvent our third-party service providers' data security measures. There have been and may continue to be significant attacks on certain third-party providers, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached or otherwise compromised, or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our platform. We may also suffer breaches of, or incidents impacting, our internal systems. Security breaches or incidents impacting our platform or our internal systems could also result in significant costs incurred in order to remediate or otherwise respond to a breach or incident, which may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, and other costs, expenses and liabilities. We may be required to or find it appropriate to expend substantial capital and other resources to alleviate problems caused by any actual or perceived security breaches or incidents.

Additionally, the SEC and many jurisdictions have enacted or may enact laws and regulations requiring companies to disclose or otherwise provide notifications regarding data security breaches. **For example, the SEC recently adopted cybersecurity risk management and disclosure rules, which require the disclosure of information pertaining to cybersecurity incidents and cybersecurity risk management, strategy, and governance.** These or other disclosures regarding a security breach or incident could result in negative publicity to us, which may cause our customers to lose confidence in the effectiveness of our data security measures which could impact our operating results.

Despite our investments into measures designed to minimize the risk of security breaches, we **may experience are subject to the risk of** security incidents or **breaches in the future due to elevated cyber threats, breaches**. If a high profile security breach or incident occurs with respect to us, another Software as a Service (SaaS) provider or other technology company, our current and potential customers may lose trust in the security of our solutions or in the SaaS business model generally, which could adversely impact our ability to retain existing customers or attract new ones. Such a breach or incident, or series of breaches or incidents, could also result in regulatory or contractual security requirements that could make compliance challenging. Even in the absence of any security breach or incident, customer concerns about privacy, security, or data protection may deter them from using our platform for activities that involve personal or other sensitive information.

Because the techniques used to obtain unauthorized access or to sabotage systems change frequently, and often are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We may also experience security breaches and incidents that may remain undetected for an extended period of time. Periodically, we experience cyber security events including "phishing" attacks targeting our employees, web application and infrastructure attacks and other information technology **incidents that are typical for a SaaS company of our size, incidents**. These threats continue to evolve in sophistication and volume and are difficult to detect and predict due to advances in electronic warfare techniques, new discoveries in the field of cryptography and new and sophisticated methods used by criminals

including phishing, social engineering or other illicit acts. There can be no assurance that our defensive measures will prevent cyberattacks or other security breaches or incidents, and any such attacks, breaches or incidents could damage our brand and reputation and negatively adversely impact our business.

Because data security is a critical competitive factor in our industry, we make numerous statements in our privacy policy and customer agreements, through our certifications to standards and in our marketing materials providing assurances about regarding the security of our platform including detailed descriptions of security measures we employ. Should any of these statements be untrue, be perceived If we fail to be untrue, or become untrue, adhere to our stated security standards, even through circumstances beyond our reasonable control, we may face claims of misrepresentation or deceptiveness by the U.S. Federal Trade Commission, state and foreign regulators and private litigants. Our insurance policies covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all potential liability. Although we maintain cyber liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred, or that insurance will continue to be available to us on economically reasonable terms, or at all.

In addition, like many similarly situated technology companies, we have a sizable number of research and development and other personnel located outside the United States, including in India and China, which has exposed and could continue to expose us to governmental and regulatory, as well as market and media, scrutiny, regarding the actual or perceived integrity of our platform or data security and privacy features. Any actual or perceived security compromise could reduce customer confidence in the effectiveness of our security measures, negatively adversely affect our ability to attract new customers, and cause existing customers to reduce the use or stop using our solutions, any of which could harm our business and reputation.

**Privacy and security concerns, laws, and regulations, may adversely affect our business.**

Governments and agencies worldwide have adopted or may adopt laws and regulations regarding the collection, use, storage, data residency, security, disclosure, transfer across borders and other processing of information obtained from individuals within jurisdictions. These laws and regulations increase the costs and burdens of compliance, including the ability to transfer information from, or a requirement to store in, particular jurisdictions and could:

- impact our ability to offer our products and services in certain jurisdictions,
- decrease demand for or require us to modify or restrict our product or services, or
- impact our customers' ability and willingness to use, adopt and deploy our solutions globally.

Compliance burdens or our inability to comply with such laws, regulations, and other obligations, could lead to reduced overall demand and impair our ability to maintain and grow our customer base and increase our revenue. We may be unable to make changes that are necessary or appropriate to address changes in laws, regulations, or other obligations in a commercially reasonable manner, in a timely fashion, or at all.

Additionally, laws and regulations relating to the processing of information can vary significantly based on the jurisdiction. Some regions and countries have or are enacting strict laws and regulations, including the European Union (EU), China, (PIPL), Australia, and India, as well as states within the United States, such as California, that may create conflicts, obligations or inconsistent compliance requirements. Despite our efforts to comply with these varying requirements, a regulator or supervisory authority may determine that we have not done so and subject us to fines, potentially costly remediation requirements, and public censure, which could harm our business. For example, the European Union's General Data Protection Regulation (GDPR) mandates requirements for processing personal data information and imposes penalties of up to the greater of €20 million or 4% of worldwide revenue for non-compliance. In June 2021, the European Commission issued replacement standard contractual clauses (2021 SCCs) to govern the transfer of personal data to a country that has not been deemed adequate, such as the United States, that created additional requirements that potentially increase liability for data processors such as us. In addition, in the United States, we may be subject to both federal and state laws. Certain U.S. state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to the protection of personal information than federal, international, or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, California continues to be a critical state with respect to evolving consumer privacy laws after enacting the California Consumer Privacy Act (CCPA), later amended by the California Privacy Rights Act (the CPRA), which took effect in January 2023. 2023 and expanded 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. Failure to comply with the CCPA and the CPRA may result in significant civil penalties, injunctive relief, or statutory or actual damages as determined by the CPPA California Privacy Protection Agency and California Attorney General through its investigative authority.

We also are bound by standards, contracts and other obligations relating to processing personal information that are may be more stringent than applicable laws and regulations. The costs of compliance with, and other burdens imposed by, these laws, regulations, and other obligations are significant. In addition, some companies, particularly larger or global enterprises, often will not contract with vendors that do not meet these rigorous obligations and often seek contract terms to ensure we are financially liable for any breach of these obligations. Accordingly, our or our vendors' failure, or perceived inability, to comply with these obligations may limit the demand, use and adoption of our solutions, lead to regulatory investigations, breach of contract claims, litigation, damage our reputation and brand and lead to significant fines, penalties, or liabilities or slow the pace at which we close sales transactions, any of which could harm our business. In addition, there is no assurance that our privacy and security-related safeguards, including measures we may take to mitigate the risks of using third parties, will protect us from the risks associated with the third-party processing, storage, and transmission of such information.

Privacy advocacy groups, the technology industry, and other industries have established or may establish various new, additional, or different self-regulatory standards that may place additional burdens on us. Our

customers may require us or we may find it advisable to meet voluntary certifications or adhere to other standards established by them or third parties. Our customers may also expect us to take proactive stances or contractually require us to take certain actions should a request for personal information belonging to customers be received from a government or regulatory agency. If we are unable to maintain such certifications, comply with such standards, or meet such customer requests, it could reduce demand for our solutions and adversely affect our business.

Future laws, regulations, standards, and other obligations, actions by governments or other agencies, and changes in the interpretation or inconsistent interpretation of existing laws, regulations, standards, and other obligations could result in increased regulation, increased costs of compliance and penalties for non-compliance, costly changes to Zuora's products or their functionality, and limitations on processing personal information. Any failure or perceived failure by us (or the third parties with whom we have contracted to process



such information) to comply with applicable privacy and security laws, policies or related contractual obligations, or any compromise of security that results in unauthorized access, use, or transmission of, personal **user** information, could result in a variety of claims against us, including litigation, governmental enforcement actions, investigations, and proceedings by data protection authorities, as well as fines, sanctions, loss of export privileges, damage to our reputation, or loss of customer confidence, any of which may have a material adverse effect on our business, operating results, and financial condition.

**Failure **inability or failure** to protect our intellectual property could adversely affect our business.**

Our success depends in large part on our proprietary technology. We rely on various intellectual property rights, including patents, copyrights, trademarks, and trade secrets, as well as confidentiality provisions and contractual arrangements, to protect our proprietary rights. If we do not protect and enforce our intellectual property rights successfully, our competitive position **may suffer, could be affected, which in turn** could adversely impact our **business and** operating results.

Our pending patent or trademark applications may not be allowed, or competitors may challenge the validity, enforceability or scope of our patents, copyrights, trademarks or the trade secret status of our proprietary information. There can be no assurance that additional patents will be issued or that any patents that are issued will provide significant protection for our **intellectual property, business, including our technology, innovations and similar assets**. There is also no assurance that we will be able to register trademarks that are critical to our business. In addition, our patents, copyrights, trademarks, trade secrets, and other intellectual property rights may not provide us a significant competitive advantage. There is no assurance that the particular forms of intellectual property protection that we seek, including business decisions about when to file patents and when to maintain trade secrets, will be adequate to protect our business.

Moreover, U.S. patent law, developing jurisprudence regarding U.S. patent law, and possible future changes to U.S. or foreign patent laws and regulations may affect our ability to protect and enforce our intellectual property rights. In addition, the laws of some countries do not provide the same level of protection of our intellectual property as do the laws of the United States. As we expand our international activities, our exposure to unauthorized copying and use of our solutions and proprietary information will likely increase. Despite our precautions, our intellectual property is vulnerable to unauthorized access through employee error or actions, theft, and cybersecurity incidents, and other security breaches. It may be possible for third parties to infringe upon or misappropriate our intellectual property, to copy our solutions, and to use information that we regard as proprietary to create products and services that compete with **ours, ours, all of which could result in costly litigation**. Effective intellectual property protection may not be available to us in every country in which our solutions are **available, available, and where such protection is available, may be costly**. For example, some foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. We may need to expend additional resources to defend our intellectual property rights domestically or internationally, which could impair our business or adversely affect our domestic or international expansion. Moreover, we may not pursue or file patent applications or apply for registration of copyrights or trademarks in the United States and foreign jurisdictions in which we operate with respect to our potentially patentable inventions, works of authorship, marks and logos for a variety of reasons, including the cost of procuring such rights and the uncertainty involved in obtaining adequate protection from such applications and registrations. If we cannot adequately protect and defend our intellectual property, we may not remain competitive, and our business, operating results, and financial condition may be adversely affected.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. We cannot assure you that these agreements will be effective in controlling access to, use of, and distribution of our proprietary information or in effectively securing exclusive ownership of intellectual property developed by our current or former employees and consultants. Further, these agreements may not prevent other parties from **reverse engineering or** independently developing technologies that are substantially equivalent or superior to our solutions.

We may need to spend significant resources securing and monitoring our intellectual property rights, and we may or may not be able to detect infringement by third parties. Our competitive position may be harmed if we cannot detect infringement and enforce our intellectual property rights quickly or at all. In some circumstances, we may choose to not pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims attacking the scope, validity, and enforceability of our intellectual property rights, or with counterclaims and countersuits asserting infringement by our products and services of third-party intellectual property rights. Our failure to secure, protect, and enforce our intellectual property rights could **seriously adversely affect have a material adverse effect on** our brand and our business.

Additionally, the United States Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions in order to complete the patent or trademark application process and to maintain issued patents or **trademarks, trademarks, which can be costly**. There are situations in which noncompliance or non-payment can result in abandonment or lapse of the patent or trademark or associated application, resulting in partial or complete loss of patent or trademark rights in the relevant jurisdiction. If this occurs, it could have a material adverse effect on our business operations and financial condition.

**Errors, defects, or disruptions in our solutions could diminish demand, harm our financial results, and subject us to liability.**

Our customers use our products for important aspects of their businesses, and any errors, defects, or disruptions to our solutions, or other performance problems with our solutions, could harm our **brand and** reputation and may damage our customers' businesses. We are also reliant on third-party software and infrastructure, including the infrastructure of the Internet, to provide our products and services. Any failure of or disruption to this software and infrastructure, **which could be caused by a variety of factors, including infrastructure changes, power or network outages, fire, flood or other natural disasters, human or software errors, viruses, security breaches, fraud or other malicious activity**, could also make our solutions unavailable to our customers. Our solutions are constantly changing with new software releases, which may contain undetected errors when first introduced or released. Any errors, defects, disruptions in service, or other performance problems with our solutions could result in negative publicity, loss of or delay in market acceptance of our products, loss of competitive position, delay of payment to us, lower renewal rates, or claims by customers for losses sustained by them. In such an event, we may be required, or may choose **even when not required**, for customer relations or other reasons, to expend additional resources in order to help correct the problem. Accordingly, any errors, defects, **downtime, or disruptions and other performative quality problems, or any perception of the aforementioned problems**, to our solutions could adversely impact our brand and reputation, revenue, and operating results.

In addition, because our products and services are designed to interoperate with a variety of internal and third-party systems and infrastructures, we need to continuously modify and enhance our products and services to keep pace with changes in software technologies. We may not be successful carry insurance sufficient to offset any losses that may result from claims arising from errors, defects or other disruptions in either developing these modifications and enhancements or resolving interoperability issues in a timely and cost-effective manner. Any failure of our products and services to continue to operate effectively with internal or third-party infrastructures and technologies could reduce the demand for our products and services, resulting in dissatisfaction of our customers, and may materially and adversely affect our business, products.

**Any disruption of service at our cloud providers, including Amazon Web Services AWS and Microsoft's Azure cloud service, could interrupt or delay our ability to deliver our services to our customers, which could harm our business and our financial results.**

We currently host our solutions, serve our customers, and support our operations using Amazon Web Services (AWS), AWS, a provider of cloud infrastructure services, and have begun enabling new features and capabilities for our solutions using Microsoft's Azure cloud service. We also leverage AWS in various geographic regions for our disaster recovery plans. We do not have control over the operations of the facilities of AWS or Azure. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures, and similar events, including events due to the effects of climate change. The

occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems could result in lengthy interruptions in our solutions. In addition, breaks in the supply chain due to transportation issues or other factors could potentially disrupt the delivery of hardware needed to maintain these third-party systems or to run our business. The facilities also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct.

The continuing and uninterrupted performance of our solutions are critical to our success. Because our products and services are used by our customers for billing and financial accounting purposes, it is critical that our solutions be accessible without interruption or degradation of performance, and we typically provide our customers with service level commitments with respect to service uptime. Customers may become dissatisfied by any system failure that interrupts our ability to provide our solutions to them. Outages could lead to the triggering of our service level agreements and the issuance of credits to our customers, in which case, we may not be fully indemnified for such losses by AWS or Azure. We may not be able to easily switch our public cloud providers, including AWS and Azure, to another cloud provider if there are disruptions or interference with our use of either facility. Sustained or repeated system failures would reduce the attractiveness of our solutions to customers and result in contract terminations, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our solutions. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our service.

While our Our agreement with AWS expires in September 2024, 2024, AWS and our other cloud providers do not have an obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements with these providers on commercially reasonable terms, if our agreements with our providers are prematurely terminated, or if in the future we add additional public cloud providers, we may experience additional costs or service downtime in connection with the transfer to, or the addition of, new public cloud providers. If these providers were to increase the cost of their services, we may have to increase the price of our solutions, and our operating results may be adversely impacted.

**We are vulnerable to intellectual property infringement claims brought against us by others.**

There has been considerable activity in our industry to develop and enforce intellectual property rights. Successful intellectual property infringement claims against us or certain third parties, such as our customers, resellers, or strategic partners, could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that our products and services, content, and brand names do not or will not infringe valid patents, trademarks, copyrights, or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to cease selling or using solutions that incorporate the intellectual property that we allegedly infringe, make substantial payments for legal fees, settlement payments, licensing costs, or other costs or damages, and obtaining a license, may not be available on reasonable terms or at all, thereby hindering our ability to sell or use the relevant technology, or require redesign of the allegedly infringing solutions to avoid infringement, which could be costly, time-consuming, or impossible. Any claims or litigation, regardless of merit, could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products and services, or require that we comply with other unfavorable terms. We do not have a significant patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. We may also be obligated to indemnify our customers or strategic partners in connection with such infringement claims, or to obtain licenses from third parties or modify our solutions, and each such obligation could further exhaust our resources. Some of our intellectual property infringement indemnification obligations are contractually capped at a very high amount or not capped at all.

Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the time and attention of our management and other employees, and adversely affect our business and operating results. We expect that the occurrence of infringement claims is likely to grow as the market for subscription management products and services grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources.

**Our solutions contain open source software components, and failure to comply with the terms of the underlying licenses could restrict our ability to sell our solutions.**

Our solutions incorporate certain open source software. An open source license typically permits the use, modification, and distribution of software in source code form subject to certain conditions. Some open source licenses contain conditions that any person who distributes or uses a modification or derivative work of software that was subject to an open source license make the modified version subject to the same open source license. Distributing or using software that is subject to this kind of open source license can lead to a requirement that certain aspects of our solutions be distributed or made available in source code form. Although we do not believe that we have used open source software in a manner that might condition its use on our distribution of any portion of our proprietary and confidential solutions in source code form, the interpretation of open source licenses is legally complex and, despite our efforts, it is possible that we may be liable for could face assertions of copyright infringement, breach of contract, or other claims if our use of open source software is adjudged fails to not comply with the applicable open source licenses.

Moreover, we cannot assure you guarantee that our processes for controlling our use of open source software in our solutions will be effective. If we have not complied with the terms of an applicable open source software license, To continue offering our solutions, we may need to seek licenses from third parties to continue offering our solutions on terms that are not economically feasible, to re-engineer our solutions to remove or replace the certain open source software, to discontinue the sale of our solutions if re-engineering could

not be accomplished on a timely basis, to pay monetary damages, or to make available the corresponding source code for aspects of our proprietary and confidential technology, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, use of open source software can involve greater risks than those associated with use of third-party commercial software, as open source licensors generally do not provide comes without warranties, assurances of title, performance, non-infringement, or controls on the origin of the software. There is typically no support available for open source software, and we cannot assure you that the authors of such open source software will not abandon further development and maintenance. Open source software may contain security vulnerabilities, and we may be subject to additional security risk by using open source software. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively adversely affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all open source software is identified or submitted for approval prior to use in our solutions.

**Our increased focus on the development and use of various types of AI in our platform and our business, as well as our potential failure to effectively implement, use, and market AI, may result in reputational harm or liability, or could otherwise adversely affect our business.**

We have incorporated and may continue to incorporate AI solutions and features into our platform, and otherwise within our business, and these solutions and features may become more important to our operations or to our future growth over time. There can be no assurance that we will realize any of the desired or anticipated benefits from AI, and we may fail to properly implement or market our AI solutions and features. Additionally, our competitors may incorporate AI into their products, offerings, and solutions more quickly or more successfully than we do, or they may have access to more complete or adequate data than our use of AI relies on, which could impair our ability to compete effectively, and adversely affect our results or operations. Our AI solutions and features may also expose us to additional claims, demands, and proceedings by private parties and regulatory authorities and subject us to legal liability or brand and reputational harm, and could also require us to spend time, expenses, and other resources on making necessary changes to our AI practices, as the legal, regulatory, and policy environments around AI are evolving rapidly and the availability of legal protections for intellectual property generated by AI is uncertain.

#### Risks Related to Legal, Regulatory, Accounting, and Tax Matters

**Adverse litigation judgments or settlements could expose us to significant monetary damages or limit our ability to operate our business.**

From time to time, we face litigation or claims arising in or outside the ordinary course of business, which may include class actions, derivative actions, private actions, collective actions, investigations, and various other legal proceedings by stockholders, customers, employees, suppliers, competitors, government agencies, or others. The results of any such litigation, investigations, and other legal proceedings are inherently unpredictable and expensive. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, damage our reputation, require significant amounts of management time, and divert significant resources. If legal proceedings were to be determined adversely to us, or we were to enter into a settlement arrangement, we could be exposed to significant monetary damages or limits on our ability to operate our business, which could have a material adverse effect on our business, financial condition, and operating results. For example,

**We are vulnerable to lawsuits brought against us by others alleging infringement or proprietary rights or for other intellectual property related claims.**

There has been considerable activity in our industry to develop and enforce patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights, resulting in frequent litigation based on allegations of infringement or other violations of such rights. Moreover, in recent years, individuals and groups have acquired patents or other intellectual property assets without practicing the inventions solely to attempt to enforce them against others and ultimately extract monetary settlements. Successful intellectual property infringement claims against us or certain third parties, such as our customers, resellers, or strategic partners, whether by operating entities, non-practicing entities or patent assertion entities, could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that our products and services, content, and brand names do not or will not infringe valid patents, trademarks, copyrights, or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to cease selling or using solutions that incorporate the intellectual property that we allegedly infringe and obtaining a license may not be available on reasonable terms or at all, thereby hindering our ability to sell or use the relevant technology, or requiring redesign of the allegedly infringing solutions to avoid infringement, which could be costly, time-consuming, or impossible. It may also cause us to make substantial payments for legal fees, settlement payments, licensing costs, or other costs or damages. Any claims or litigation, regardless of merit, could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products and services, or require that we comply with other unfavorable terms. We do not have a significant patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. We may also be obligated to indemnify our customers or strategic partners in connection with such infringement claims, or to obtain licenses from third parties or modify our solutions, and each such obligation could further exhaust our resources. Some of our intellectual property infringement indemnification obligations are contractually capped at a very high amount or not capped at all.

Even if the settlement claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the time and attention of certain shareholder litigation, in our management and other employees, and adversely affect our business and operating results, including by preventing us from offering our services. We expect that the quarter ended October 31, 2023, we made a payment occurrence of \$68.3 million (net of insurance proceeds). For more information on infringement claims is likely to grow as the shareholder litigation, see Note 13. Commitments market for monetization products and Contingencies of the Notes services grows. Accordingly, our exposure to Condensed Consolidated Financial Statements, damages resulting from infringement claims could increase and this could further exhaust our financial and management resources.

**If we are not able to satisfy data protection, security, privacy, and other government- and industry-specific requirements, our growth could be harmed.**

We are subject to data protection, security, privacy, and other government- and industry-specific requirements, including those that require us to notify individuals of data security and privacy incidents involving certain types of personal data. Security and privacy compromises experienced by us or our service providers may lead to public disclosures, which could harm our reputation, erode customer confidence in the effectiveness of our security and privacy measures, negatively adversely impact our ability to attract new customers, cause existing customers to elect not to renew their subscriptions with us, or negatively adversely impact our employee relationships or impair our ability to attract new employees. In addition, some of the industries we serve have industry-specific requirements relating to compliance with certain security, privacy and regulatory standards, such as those required by the Health Insurance Portability and Accountability Act. We also maintain compliance with the Payment Card Industry Data Security Standard, which is critical



to the financial services and insurance industries. As we expand and sell into new verticals and regions, we will likely need to comply with these and other requirements to compete effectively. If we cannot comply or if we incur a violation in one or more of these requirements, our growth could be adversely impacted, and we could incur significant liability.

***Because we typically recognize subscription revenue over the term of the applicable agreement, a lack of subscription renewals or new subscription agreements may not be reflected immediately in our operating results and may be difficult to discern.***

We generally recognize subscription revenue from customers ratably over the terms of their contracts, which typically vary between one and three five years. As a result, most of the subscription revenue we report in each quarter is derived from the recognition of unearned revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any particular quarter would likely have a minor impact on our revenue results for that quarter, but could negatively adversely affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our pricing policies or rate of renewals, may not be fully reflected in our operating results until future periods. Moreover, our subscription recurring revenue model makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

***We typically provide service level commitments under our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our operating results.***

Our customer contracts typically provide for service level commitments, which relate to service uptime, response times, and escalation procedures. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our solutions, we may be contractually obligated to provide these customers with service credits, refunds for prepaid amounts related to unused subscription services, or other remedies, or we could face contract terminations. In addition, we could face legal claims for breach of contract, product liability, tort, or breach of warranty. Although we have contractual protections, such as warranty disclaimers and limitation of liability provisions, in our customer agreements, they may not fully or effectively protect us from claims by customers, commercial relationships, or other third parties. We may not be fully indemnified by our vendors for service interruptions beyond our control, and any insurance coverage we may have may not adequately cover all claims asserted against us, or may cover only a portion of such claims. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and divert management's time and other resources. Thus, our revenue could be harmed if we fail to meet our service level commitments under our agreements with our customers, including, but not limited to, maintenance response times and service outages.

Typically, we have not been required to provide customers with service credits that have been material to our operating results, but we cannot assure you that we will not incur material costs associated with providing service credits to our customers in the future. Additionally, any failure to meet our service level commitments could adversely impact our reputation, business, operating results, and financial condition.

***Our customers may fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.***

We typically enter into non-cancelable agreements with our customers with a term of one to three five years. If customers fail to pay us under the terms of our agreements, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. The risk of such negative adverse effects increases with the term length of our customer arrangements. Furthermore, some of our customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position, and cash flow. Although we have processes in place that are designed to monitor and mitigate these risks, we cannot guarantee these programs will be effective. If we are unable to adequately control these risks, our business, operating results and financial condition could be harmed.

***Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations which could subject our business to increased tax liability.***

Our ability to use our net operating losses (NOLs) to offset future taxable income may be subject to certain limitations which could subject our business to higher tax liability. Utilization of the net operating loss may be subject to an annual limitation due to the "ownership change" limitations provided by Section 382 and 383 of the Internal Revenue Code of 1986, as amended, and other similar state provisions. Additionally, NOLs arising in tax years beginning after before December 31, 2017 are subject to a 20-year carryover limitation and may expire if unused within that period. There is also a risk that due to legislative changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. In addition, under the Tax Cuts and Jobs Act of 2017, as modified by the Coronavirus Aid, Relief, and Economic Security Act, the amount of NOLs that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. As such, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

***We may need to raise additional capital required to grow our business, and we may not be able to raise capital on terms acceptable to us or at all.***

In order to support our growth and respond to business challenges, such as developing new features or enhancements to our solutions to stay competitive, acquiring new technologies, and improving our infrastructure, we have made significant financial investments in our business, and we intend to continue to make such investments. As a result, to provide the funds required for these investments and other business endeavors, we may need to engage in equity or debt financings. For example, we have issued \$400.0 million in senior unsecured notes to Silver

Lake (2029 Notes), including \$150.0 million that were issued in the quarter ended October 31, 2023. 2029 Notes. See Note 9. Debt of the Notes to Condensed Consolidated Financial Statements for more information about the 2029 Notes.

If we raise additional funds through equity or convertible debt issuances, our existing stockholders may suffer significant dilution, and these securities could have rights, preferences, and privileges that are superior to that of holders of our common stock. If we obtain additional funds through debt financing, we may not be able to obtain such financing on terms favorable to us. Such terms may involve additional restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions. Our 2029 Notes, for example, restrict our ability to incur additional indebtedness, including secured indebtedness. Our credit facility also contains restrictive and financial covenants and is secured by substantially all of our non-intellectual property assets.

In addition, servicing the interest and principal repayment obligations under our current or future indebtedness could divert funds that would otherwise be available to fund working capital, capital expenditures, acquisitions, and other business activities.

Future volatility in the trading price of our common stock may reduce our ability to access equity capital on favorable terms or at all. In addition, our ability to make payments on our indebtedness, refinance indebtedness or incur additional indebtedness to fund or expand our business will depend on our financial condition and market conditions. A recession, depression or other sustained adverse market event resulting from deteriorating macroeconomic factors could materially and adversely affect our business and the value of our common stock, stock and our access to capital. If we are unable to generate sufficient cash flows or obtain adequate financing or financing on terms satisfactory to us, or at all, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business may be adversely affected, requiring us to delay, reduce, or eliminate development of new services or future marketing efforts, or reduce or discontinue some or all of our operations. Any of these events could significantly harm our business, financial condition, and prospects.

**Failure to comply with anti-corruption and anti-money laundering laws, including the FCPA and similar laws associated with our activities outside of the United States, could subject us to penalties and other adverse consequences.**

We are subject to the FCPA, 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, and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws that prohibit companies and their employees and third-party intermediaries from promising, authorizing, offering, or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties, and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person, or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. In addition, we use various third parties to sell our solutions and conduct our business abroad. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We have implemented an anti-corruption compliance program but cannot assure you that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, or severe criminal or civil sanctions, which could have a materially material adverse effect on our reputation, business, operating results, and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources, significant defense costs, and other professional fees.

**We are required to comply with governmental export control laws and regulations. Our failure to comply with these laws and regulations could have an adverse effect on our business and operating results.**

Our solutions are subject to governmental, including United States and European Union, export control laws and import regulations, and as a U.S. company we are covered by the U.S. sanctions regulations. U.S. export control and economic sanctions laws and regulations restrict or prohibit the shipment of certain products and services to U.S. embargoed or sanctioned countries, governments, entities and persons, and complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. While we take precautions to prevent our solutions from being exported in violation of these laws or engaging in any other activities that are subject to these regulations, if we were to fail to comply with U.S. export laws, U.S. Customs regulations and import regulations, U.S. economic sanctions, and other countries' import and export laws, we could be subject to substantial civil and criminal penalties, including fines for our company, enforcement actions, incarceration for responsible officers and employees, reputational harm, and/or the possible loss of export or import privileges which could impact our ability to provide our solutions to customers. We could also be held liable for our third-party affiliates' non-compliance with sanctions and export controls.

We incorporate encryption technology into certain of our products, and certain encryption products may be exported outside of the United States only by a license or a license exception. In addition, various countries regulate the import of certain encryption technology, including import permitting permit and/or license requirements, and licensing requirements, and some have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to deploy our products in those countries. Although we take precautions to prevent our products from being provided in violation of such laws, we cannot assure you that inadvertent violations of such laws have not occurred or will not occur in connection with the distribution or use of our products despite the precautions we take. Governmental regulation of encryption technology and regulation of imports or exports, or our failure to obtain required import or export approval for our products, could harm our international sales and adversely affect our operating results.

Further, if our partners, including suppliers, fail to obtain required import, export, or re-export licenses or permits, we may also be impacted by becoming the subject of government investigations or penalties and therefore incur reputational harm. Changes in our solutions or changes in sanctions or export and import regulations may create delays in the introduction of our solutions in international markets, prevent our customers with international operations from deploying our solutions globally or, in some cases, prevent the export or import of our solutions to certain countries, governments, or persons altogether. Any change in export or import laws or regulations, economic sanctions, or related legislation, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons, or technologies targeted by such laws and regulations, could result in decreased use of our solutions by, or in our decreased ability to export or sell our solutions to, existing or potential customers such as customers with international operations or customers who are added to the restricted entities list published by the U.S. Office of Foreign Assets Control (OFAC). Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely harm our business, financial condition, and operating results.

**The applicability of sales, use and other tax laws or regulations in the U.S. and internationally on our business is uncertain. Adverse tax laws or regulations could be enacted or existing laws could be applied to us or our customers, which could subject us to additional tax liability and related interest and penalties, increase the costs of our services and adversely impact our business.**

The application of federal, state, local, and non-U.S. tax laws to services provided electronically is evolving. New income, sales, use, value-added, or other direct or indirect tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services provided over the Internet or could otherwise materially affect our financial position and results of operations, operating results. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, have proposed or recommended changes to existing tax laws or have enacted new laws that could impact our tax obligations. As we expand the scale of our international business activities, any changes in the U.S. or foreign taxation of such activities may increase our worldwide effective tax rate and harm our business, operating results, of operations, and financial condition.

In addition, state, local, and foreign tax jurisdictions have differing rules and regulations governing sales, use, value-added, and other taxes, and these rules and regulations can be complex and are subject to varying interpretations that may change over time. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us or our customers to pay additional tax amounts on prior sales and going forward, as well as require us or our customers to pay fines or penalties and interest for past amounts. Although our customer contracts typically provide that our customers must pay all applicable sales and similar taxes, our customers may be reluctant to pay back taxes and associated interest or penalties, or we may determine that it would not be commercially feasible to seek reimbursement. If we are required to collect and pay back taxes and associated interest and penalties, or we are unsuccessful in collecting such amounts from our customers, we could incur potentially substantial unplanned expenses, thereby adversely impacting our operating results and cash flows. Imposition of such taxes on our services going forward could also adversely affect our sales activity and have a negative an adverse impact on our operating results and cash flows.

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

Generally Accepted Accounting Principles (GAAP) is subject to interpretation by the Financial Accounting Standards Board (FASB), 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. Any difficulties in implementing these pronouncements, including those described in *Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements of the Notes to Condensed Consolidated Financial*

*Statements*, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

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

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

The market price of our Class A common stock since our initial public offering in 2018 has been and may continue to be volatile. In addition to factors discussed in this Form 10-Q, the market price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- actual or anticipated fluctuations in our key metrics, revenue and other operating results;
- changes in the financial projections or outlook for key metrics we may provide to the public or our failure to meet achieve these projections; projections or metrics;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- negative publicity related to the real or perceived quality of our solutions, as well as the failure to timely launch new products and services that gain market acceptance;
- growth of the Subscription Economy; market for our products;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of new products, commercial relationships, or significant technical innovations;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- issuance of shares of our common stock, including shares issued by us in an acquisition or upon conversion or exercise of some or all of our outstanding 2029 Notes and Warrants;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us, litigation involving our industry, or both;
- developments or disputes concerning our or other parties' products, services, or intellectual property rights;
- the inclusion of our Class A common stock on stock market indexes, including the impact of rules adopted by certain index providers, such as S&P Dow Jones Indices and FTSE Russell, that limit or preclude inclusion of companies with multi-class capital structures;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- actions instituted by activist shareholders or others;
- actual or perceived privacy, security, data protection, or cybersecurity incidents;
- other events or factors, including those resulting from geopolitical developments such as war, incidents of terrorism, or responses to these events, including the ongoing conflicts in Ukraine and Israel; events;
- the impact of catastrophic events such as natural disasters or pandemics on the global macroeconomy, our operating results and enterprise technology spending;
- sales of shares of our Class A common stock by us or our stockholders;
- inflation;
- fluctuations in interest rates; and

- disruptions to the U.S. or international banking system.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, particularly during the current period of macroeconomic uncertainty, including rising inflation, increasing interest rates and fluctuations in international currency rates, bank failures, debt ceiling negotiations, potential government shutdowns, as well as the impacts of geopolitical developments, companies. Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. These economic, political, regulatory and market conditions have and may continue to negatively impact the market price of our common stock. Volatility in our stock price also affects the value of our equity compensation, which affects our ability to recruit and retain employees. If we fail to meet expectations related to future growth, profitability, or other market expectations, our stock price may decline further, which could have a material adverse effect on investor confidence and employee retention. In addition, some Some companies that have experienced volatility in the market price of their securities have been subject to shareholder litigation. We have been subject to shareholder litigation which is described in Note 13. Commitments the past, and Contingencies of the Notes to Condensed Consolidated Financial Statements. Future future shareholder litigation could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

***The market price of our Class A common stock could decline as a result of a substantial number of shares of our Class A common stock being issued or sold, which may make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate.***

As of November 30, 2023 April 30, 2024, a total of 135.0 million 139.7 million shares of Class A common stock and 8.1 million 8.4 million shares of Class B common stock were outstanding. Issuances The issuance and sale of a substantial number of shares of our Class A common stock, including as a result of the exercise or conversion into Class A common stock of outstanding convertible notes, warrants, equity awards, shares of Class B common stock or other securities, could result in significant dilution to our existing stockholders and cause the market price of our Class A common stock to decline. The perception that such issuances could occur could also adversely affect the market price of our Class A common stock. From time to time, we may also issue shares of common stock or securities convertible into shares of common stock in connection with a financing, an acquisition, investments, or otherwise. For example, as described in Note 9. Debt of the Notes to Condensed Consolidated Financial Statements, we have issued to Silver Lake convertible notes 2029 Notes in the aggregate principal amount of \$400.0 million, including \$150.0 million that were issued during the quarter ended October 31, 2023, as well as warrants to purchase Warrants initially exercisable for up to 7.5 million shares of Class A common stock. In addition, under certain circumstances, the number of shares issuable upon conversion of the convertible notes 2029 Notes or exercise of the Warrants may be subject to increase, as described in Note 9. Debt and Note 17. 10. Warrants to Purchase Shares of Common Stock of the Notes to Condensed Consolidated Financial Statements. The conversion of these convertible notes or exercise of these Warrants could result in a substantial number of shares of our Class A common stock being issued.

In addition, we grant equity awards to employees, directors, and consultants under our 2018 Equity Incentive Plan on an ongoing basis and our employees have the right to purchase shares of our Class A common stock semi-annually under our 2018 Employee Stock Purchase Plan. As of October 31, 2023 April 30, 2024, there were a total of 21.8 million 23.1 million shares of Class A common stock subject to outstanding options and restricted stock units (RSUs), including performance stock units (PSUs). Subject to vesting and other applicable requirements, the shares issued upon the exercise of such options or settlement of such RSUs will be available for resale in the open market. Moreover, the market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market over a short period of time, such as sales by our directors, executive officers, or significant stockholders, sales by Zuora for employee tax withholding purposes upon vesting of RSUs or PSUs, and sales by employees during limited open trading windows.

We also have granted and may grant from time to time certain registration rights that, subject to certain conditions, require us to file registration statements for the public resale of certain securities or to include such securities in registration statements that we may file on behalf of our company or other stockholders.

***If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline.***

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. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our Class A common stock could be negatively adversely affected. 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 Class A common stock would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

Even if our stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. For example, in order to assess our business activity in a given period, analysts and investors may look at the combination of revenue and changes in deferred revenue in a given period (sometimes referred to as "billings"). Over-reliance on billings or similar measures may result in analyst or investor forecasts that differ significantly from our own for a variety of reasons, including:

- a relatively large number of transactions occur at the end of the quarter. Invoicing of those transactions may or may not occur before the end of the quarter based on a number of factors including receipt of

information from the customer, volume of transactions, and holidays. A shift of a few days has little economic impact on our business, but will shift deferred revenue from one period into the next;

- a shift in billing frequency (i.e., from monthly to quarterly or from quarterly to annually), which may distort trends;
- subscriptions that have deferred start dates; and
- services that are invoiced upon delivery.

In addition, the revenue recognition disclosure obligations under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) are prepared on the basis of estimates that can change over time and on the basis of events over which we have no control. It is possible that analysts and investors may misinterpret our disclosure or that our methods for estimating this disclosure may differ significantly from others, which could lead to inaccurate or unfavorable forecasts by analysts and investors.

***The dual class structure of our common stock has the effect of concentrating voting control with holders of our Class B common stock, including our CEO, which limits or precludes your ability to influence corporate matters, including the election of directors and the approval of any change of control transaction.***

Our common stock consists of two classes, including our Class B common stock, which has ten votes per share, and our Class A common stock, which has one vote per share. As of **October 31, 2023** **April 30, 2024**, our Class B common stock **holds held** approximately **38%** **37%** of the total voting power of our common stock, with our CEO and his affiliates holding substantially all of our Class B common stock. As a result, the holders of our Class B common stock, including our CEO, could substantially influence all matters submitted to our stockholders for approval until the earlier of (i) the date specified by a vote of the holders of 66 2/3% of the outstanding shares of Class B common stock, (ii) April 16, 2028, and (iii) the date the shares of Class B common stock cease to represent at least 5% of all outstanding shares of our common stock (such date referred to as the "Class B expiration"). Until the Class B expiration, the concentrated influence held by our Class B common stock limits or precludes your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain permitted transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock 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.

***The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.***

Stock index providers, such as FTSE Russell, exclude or limit the eligibility of public companies with multiple classes of shares of common stock for certain indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of 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 common stock and do not intend to pay any cash dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by restrictions under the terms of our credit facility with Silicon Valley Bank, a division of First-Citizens Bank & Trust. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

***Provisions in our charter documents and under Delaware law and the 2029 Notes and the Warrants could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees, and limit the market price of our Class A common stock.***

Provisions in our restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and amended and restated bylaws include provisions that:

- provide that our Board of Directors will be classified into three classes of directors with staggered three-year terms;
- permit the Board of Directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require supermajority voting to amend some provisions in our restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our Board of Directors could use to implement a stockholder rights plan;
- provide that only the chairman of our Board of Directors, our chief executive officer, lead independent director, or a majority of our Board of Directors will be authorized to call a special meeting of stockholders;
- provide for a dual class common stock structure in which holders of our Class B common stock may have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the Board of Directors is expressly authorized to make, alter, or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, our restated certificate of incorporation provides that, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware is the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or DGCL, our restated certificate of incorporation, or our amended and restated bylaws; or any action asserting a claim against us that is



governed by the internal affairs doctrine. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act. It would apply, however, to a suit that falls within one or more of the categories enumerated in the exclusive forum provision.

Section 22 of the Securities Act of 1933, as amended (Securities Act), creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Our bylaws provide that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (Federal Forum Provision). Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. While there can be no assurance that federal or state courts will follow the holding of the Delaware Supreme Court or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, neither the exclusive forum provision nor the Federal Forum Provision applies to suits brought to enforce any duty or liability created by the Exchange Act. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must be brought in federal court. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to our exclusive forum provisions, including the Federal Forum Provision. These provisions may limit a stockholders' ability to bring a claim in a judicial forum of their choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

Moreover, we are subject to Section 203 of the DGCL, which may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Finally, provisions of the 2029 Notes and Warrants may also have the effect of delaying or preventing a change of control or changes in our management. Holders of the 2029 Notes have the right to require us to repurchase their notes upon the occurrence of a "fundamental change" (as defined in the indenture governing the 2029 Notes (the Indenture)) that occurs prior to the maturity date at repurchase price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus the sum of the amounts of all remaining scheduled interest payments (at the 5.50% payment-in-kind interest rate) through and including the maturity date. Additionally, on and after March 24, 2027, holders of the 2029 Notes have the right, at each holder's option and on one or more occasions, to require us, subject to certain exceptions and deferral provisions, to repurchase all of such holder's notes equal to 100% of the principal amount of the notes (or portion thereof) to be so repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. In addition, provisions of (i) the 2029 Notes require an increase to the conversion rate for 2029 Notes converted in connection with a "make-whole fundamental change" and (ii) the Warrants require an increase in the number of shares of Class A Common Stock the Warrants are exercisable for upon the occurrence of a "make-whole fundamental change" (as defined in the indenture governing the 2029 Notes and the form of Warrant, respectively). Furthermore, the Indenture will prohibit us from engaging in specified types of mergers or acquisitions unless, among other things, the acquiring or surviving entity assumes Zuora's obligations under the 2029 Notes.

Any of these provisions of our charter documents, Delaware law, the 2029 Notes and the Warrants that have the effect of making an acquisition of our company more difficult or limiting attempts by our stockholders to replace or remove our current management could limit the price investors are willing to pay for our Class A common stock.

## General Risk Factors

### ***Political developments, economic uncertainty or downturns could adversely affect our business and operating results.***

Political developments impacting government spending and international trade, including future government shutdowns in the United States or elsewhere, debt ceiling negotiations, potential government shutdowns, armed conflict such as the conflicts in Ukraine and Israel, retaliatory actions, treaties, increased barriers, policies favoring domestic industries, increased import or export licensing requirements or restrictions, trade disputes and tariffs, including the U.S.'s ongoing trade disputes with China and other countries, inflation, and rising interest rates, may negatively adversely impact markets and cause weaker macroeconomic conditions. The continuing effect of any or all of these political or other uncertainties could adversely impact demand for our products, harm our operations and weaken our financial results.

In addition, in recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain. Economic uncertainty and associated macroeconomic conditions, such as a recession or rising inflation rates or economic slowdown in the United States or internationally, including due to the ongoing conflicts in Ukraine and Israel, make it extremely difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to cancel planned purchases or slow spending on our solutions, which could delay and lengthen sales cycles. Rising inflation may also increase our employee and facilities costs and decrease demands for our products. Furthermore, during uncertain economic times our customers may face issues gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for credit losses and our results could be negatively adversely impacted.

We have customers in a variety of different industries. A significant downturn in the economic activity attributable to any particular industry may cause organizations to react by reducing their capital and operating expenditures in general or by specifically reducing their spending on information technology. In addition, our customers may delay or cancel information technology projects or seek to lower their costs by renegotiating vendor contracts. To the extent purchases of our solutions are perceived by customers and potential customers to be discretionary, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software or modify their legacy business software as an alternative to using our solutions. Moreover, competitors may respond to challenging market conditions by lowering prices and attempting to lure away our customers. We cannot predict the timing or duration of any economic slowdown, instability, or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate worsen from present levels, our business, financial condition, and operating results could be adversely affected.

We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally, or any industry in particular. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and operating results could be materially and adversely

affected.

Moreover, continued disruptions in the banking system, both in the U.S. or abroad, may impact our or our customers' liquidity and, as a result, negatively adversely impact our business and operating results.

***The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain additional executive management and qualified board members.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations. Compliance with these rules and regulations are costly, time-consuming, and can require significant resources. Although we have already hired additional employees and outside consultants to comply with these requirements, we may need to add additional resources, which would increase our costs and expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. For example, expected SEC rules on climate-related disclosures may require us to update our policies, processes or systems to reflect new or amended financial reporting standards. These laws, regulations, and standards, if and when adopted, are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as market practice develops or new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business, financial position, and operating results or our revenue and operating profit targets may be adversely affected.

The rules and regulations applicable to public companies make it more expensive for us to obtain and maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in our public company filings, our business and financial condition is more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

In addition, as a result of our disclosure obligations as a public company, we have reduced flexibility and are under pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative an adverse effect on the trading price of our Class A common stock. This management report will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting.

Section 404(b) of the Sarbanes-Oxley Act requires our independent registered public accounting firm to annually attest to the effectiveness of our internal control over financial reporting, which has required, and will continue to require, increased costs, expenses, and management resources. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. We are required to disclose changes made in our internal controls and procedures on a quarterly basis. To comply with the requirements of being a public company, we have undertaken, and may need to further undertake in the future, various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control,

including as a result of any identified material weakness, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our Class A common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

***We may be adversely affected by natural disasters, pandemics, epidemics, and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations. Our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.***

Natural disasters, pandemics and epidemics, or other catastrophic events such as fire, power shortages, and other events beyond our control may cause damage or disruption to our operations, international commerce, and the global economy, and could have an adverse and material effect on our business, operating results, and financial condition. For example, as a result of the COVID-19 pandemic and its impacts on the global economy and financial markets, we experienced certain disruptions to our business operations, including delays and lengthening of our customary sales cycles, certain customers not purchasing or renewing our products or services, and requests for pricing and payment concessions by certain customers. As a result of the pandemic, we have also reduced our office footprint given that many of our employees continue to work remotely, and we incurred certain impairment charges related to office leases in the fourth quarter of fiscal 2024, 2023, and 2022 as described in Note 12. Leases of the Notes to Condensed

Consolidated Financial Statements, and may incur additional impairment charges in future periods if we are unable to sublease available office space at our corporate headquarters in California on acceptable terms. In the event of a significant resurgence development of new strains or variants of COVID-19 pandemic or other future public health crisis, emergencies, climate change, pandemics, or epidemics, we could experience similar or more significant impacts to our operations, which may adversely impact our business, financial condition and operating results. More generally, the extent to which a public health crisis or other catastrophic event could adversely affect economies and financial markets and lead to an economic downturn which is highly uncertain and could harm our business, financial condition, operating results and operating results, liquidity.

In the event of a natural disaster, including a major earthquake, blizzard, wildfire, or hurricane, or other catastrophic event such as a fire, power loss, or telecommunications failure, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our solutions, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. For example, our corporate headquarters is located in California, a state that frequently experiences earthquakes and wildfires. Additionally, all the aforementioned risks may be further increased if we do not implement an effective disaster recovery plan or our partners' disaster recovery plans prove to be inadequate.

**Investors' expectations of our performance relating to environmental, social, ESG factors, and governance factors our disclosed performance and aspirations for these practices, may expose us to new risks and require us to incur additional costs.**

Corporate responsibility, including environmental, social and governance (ESG) ESG factors, is increasingly becoming a focus from certain investors, legislators, regulators, employees, and other stakeholders. Some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our corporate responsibility policies are inadequate. Third-party providers of corporate responsibility ratings Standards and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance. The criteria laws by which companies' corporate responsibility practices ESG efforts are assessed tracked and measured continue to evolve. For example, in March 2024, the SEC adopted final rules aimed at enhancing and standardizing climate-related disclosures, which includes quantitative and qualitative climate-related disclosures, which were subsequently stayed by the SEC. Our efforts to abide by these developing standards and laws, if and when they go into effect, may require significant expenditures. In May 2022, we announced our commitment to remain carbon neutral going forward, including by purchasing carbon offsets in future years, which may become increasingly more expensive. In addition, the corporate responsibility criteria could change, which could result in greater expectations of us and cause us to undertake more costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies.

Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in Any failure or perceived failure of previously stated goals, targets and objectives or to satisfy various reporting standards within the event that timelines we communicate certain initiatives and goals announce, or not at all, regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, employees, and other stakeholders, or, if our initiatives are not executed as planned, have negative impacts on our reputation and business, operating results, and our financial condition could be adversely impacted.

In addition, compliance with ESG-related rules and efforts to meet stakeholder expectations on ESG matters may place strain on our employees, systems, and resources. Moreover, increasingly, different stakeholder groups have divergent views on sustainability and ESG matters, which increases the risk that any action or lack thereof with respect to sustainability or ESG matters will be perceived negatively by at least some stakeholders and adversely impact our reputation and business. "Anti-ESG" sentiment has also gained some momentum across the United States, with several states having enacted or proposed "anti-ESG" policies or legislation. If we do not successfully manage ESG-related expectations across stakeholders, it could erode stakeholder trust, impact our reputation, and adversely affect our business, financial condition, results of operations and cash flows.

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

Not Applicable.

## Item 5. Other Information

### Rule 10b5-1 Trading Arrangements

During Our Section 16 directors and officers (as defined in Rule 16a-1(f) of the three months ended October 31, 2023, none Exchange Act) are generally only able to trade in Zuora stock under a "Rule 10b5-1 trading arrangement," as defined in Item 408 of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Zuora securities Regulation S-K that was is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule under the Exchange Act, subject to compliance with applicable regulations as well as Zuora's trading policies and share ownership requirements. The 10b5-1 trading arrangement." arrangements are entered into in writing during an open trading window, have a term of at least one year, and are subject to a mandatory cooling off period requirement (i.e., commencement of trading under the arrangement must begin the later of 90 days following adoption of the arrangement or two days following our periodic report on Form 10-Q or Form 10-K for the fiscal quarter in which the trading arrangement was adopted).

On March 15, 2024, Peter Hirsch, our Chief Product and Technology Officer, adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act for an aggregate number of shares of common stock from the vesting and settlement of up to the net shares (not yet determinable due to award conditions and tax considerations) upon the vesting of 275,000 RSUs and 300,000 PSUs. This 10b5-1 trading arrangement is scheduled to expire on June 13, 2025.

During the three months ended April 30, 2024, no other Section 16 officers and directors adopted or terminated a Rule 10b5-1 trading arrangement or a "non-Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K).



Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated By Reference			Filing Date	Filed or Furnished Herewith
		Form	File No.	Exhibit		
4.1	<a href="#">First Supplemental Indenture, dated September 22, 2023, by and between U.S. Bank Trust Company, National Association, as trustee, and the Registrant</a>					X
10.1	<a href="#">Amendment No. 1 to the Investment Agreement, dated September 22, 2023, by and between Silver Lake and the Registrant</a>					X
10.2	<a href="#">Letter Agreement, dated October 27, 2023, by and among First Citizens Bank &amp; Trust and the Registrant</a>					X
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act</a>					X
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act</a>					X
32.1*	<a href="#">Certification of the 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 the 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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).					X

Exhibit Number	Exhibit Description	Incorporated By Reference			Filing Date	Filed or Furnished Herewith
		Form	File No.	Exhibit		
10.1*	<a href="#">Form of Zuora, Inc. 2018 Equity Incentive Plan Global Notice of Performance Stock Unit Award</a>					X
10.2	<a href="#">Cooperation Agreement, dated as of April 30, 2024, by and among Zuora, Inc. and Scalar Gauge Fund, LP, Scalar Gauge GP, LP, SG SPV IV, LP, SG SPV IV GP, LLC, Scalar Gauge Management, LLC and Sumit Gautam</a>	8-K	001-38451	10.1	5/1/2024	
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act</a>					X
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act</a>					X
32.1**	<a href="#">Certification of the 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 the 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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).	X

\* Indicates a management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

\*\* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

ZUORA, INC.

Date: December 7, 2023 May 31, 2024

By: /s/ Todd McElhatton  
\_\_\_\_\_  
Todd McElhatton  
Chief Financial Officer  
(Principal Financial Officer)

Date: December 7, 2023 May 31, 2024

By: /s/ Matthew Dobson  
\_\_\_\_\_  
Matthew Dobson  
Chief Accounting Officer  
(Principal Accounting Officer)

Exhibit 4.1 10.1

ZUORA, INC.

FIRST SUPPLEMENTAL INDENTURE 2018 EQUITY INCENTIVE PLAN

GLOBAL NOTICE OF PERFORMANCE STOCK UNIT AWARD

This FIRST SUPPLEMENTAL INDENTURE, dated as of September 22, 2023 (this "Supplemental Indenture"), is made and entered into by Unless otherwise defined herein, the terms defined in the Zuora, Inc., a Delaware corporation (the (the "Company"), 2018 Equity Incentive Plan (the "Plan") will have the same meanings in this Global Notice of Performance Stock Unit Award and U.S. Bank Trust the electronic representation of this Global Notice of Performance Stock Unit Award established and maintained by the Company National Association, as trustee (in such capacity, or a third party designated by the Company (this "Trustee Notice"). Capitalized terms used herein and not otherwise defined have the meanings set forth in the Base Indenture referred to below.

Name:

RECITALS

Address:

WHEREAS, Article 9, Section 9.01(g) of the Indenture, dated as of March 24, 2022, by and between the Company and the Trustee (the "You ("Base Indenture" and, together with this Supplemental Indenture, the "Indenture Participant"), pursuant to which the Company issued its 3.95% / 5.50% Convertible Senior PIK

Toggle Notes due 2029, permits the Company amend or supplement the Base Indenture or the Securities without notice to or consent of any Holder provided that such amendment or supplement does not result in any change that adversely affects the rights of any Holders;

WHEREAS, the changes contemplated by the Supplemental Indenture do not adversely affect the rights of any Holder;

WHEREAS, the Company has duly authorized the execution and delivery of this Supplemental Indenture;

WHEREAS, the Company has requested and hereby directs that the Trustee join with the Company in the execution of this Supplemental Indenture; and

WHEREAS, all things necessary have been done to make this Supplemental Indenture a valid and binding agreement granted an award of Performance Stock Units ("PSUs") under the Company.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, the parties hereto agree, Plan subject to the terms and conditions hereinafter of the Plan, this Notice and the attached Global Performance Stock Unit Award Agreement (the "Agreement"), including the vesting and performance terms set forth as follows for in Appendix A attached hereto (the "Vesting Appendix") and any applicable country-specific provisions in the benefit appendix set forth in Appendix B attached hereto (the "Country Appendix"), both of which constitute part of this Agreement.

Grant Number: \_\_\_\_\_

Total Number of PSUs: \_\_\_\_\_

Date of Grant: \_\_\_\_\_

**Expiration Date:** The earlier to occur of: (a) the date on which settlement of all PSUs granted hereunder occurs and (b) the end of the Trustee Performance Period (as defined in the Vesting Appendix); provided, however, that if, as of immediately prior to the end of the Performance Period, there are Eligible PSUs that have not become Vested PSUs, such Eligible PSUs will remain outstanding and eligible for vesting in accordance with Section [\_\_\_\_\_] of the Vesting Appendix. The unvested PSUs expire earlier if Participant's Service terminates earlier, as described in the Agreement.

**Vesting Schedule:** Subject to the limitations set forth in this Notice, the Plan and the Holders Agreement, the PSUs will vest as set forth in the Vesting Appendix.

By accepting (whether in writing, electronically or otherwise) the PSUs, Participant acknowledges and agrees to the following:

- 1) Participant understands that Participant's employment or consulting relationship or Service with the Company or a Parent or Subsidiary or Affiliate is for an unspecified duration, can be

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terminated at any time (i.e., is "at-will"), except where otherwise prohibited by applicable law, and that nothing in this Notice, the Agreement or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the Securities:

PSUs pursuant to this Notice is subject to Participant's continuing Service as an Employee, Director or Consultant. Participant agrees and acknowledges that the Vesting Schedule may change prospectively in the event that Participant's service status changes between full- and part-time and/or in the event Participant is on a leave of absence, in accordance with Company policies relating to work schedules and vesting of Awards or as determined by the Committee.

**Section 12)** This grant is made under and governed by the Plan, the Agreement and this Notice, including the Appendix A to the Notice, and this Notice is subject to the terms and conditions of the Agreement and the Plan, both of which are incorporated herein by reference. Participant has read the Notice, the Agreement and the Plan.

- 3) **Amendments** Participant has read the Company's Insider Trading Policy, and agrees to comply with such policy, as it may be amended from time to time, whenever Participant acquires or disposes of the Company's securities.
- 4) By accepting the PSUs (the acceptance of which may be done electronically), Participant consents to electronic delivery and participation as set forth in the Agreement.

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## APPENDIX A

### PERFORMANCE AND VESTING METRICS

(a) The following term As provided in Section 1.01 this Vesting Appendix, all or a portion of the Base Indenture is amended Total Number of PSUs (as defined and restated set forth in the Notice) shall (a) **become eligible to vest** based on the level of achievement of the Performance Metrics (as defined below) during the Performance Period, subject to Participant's continuous Service through each applicable Vesting Date and (b) **vest and may be settled** in whole or in part, if the Participant remains in continuous Service through the Vesting Date, except as follows: otherwise provided herein. Defined terms used, but not defined, in this paragraph, the Notice, the Agreement or the Plan, shall have the meanings ascribed to them in this Vesting Appendix.

[INSERT PERFORMANCE AND VESTING METRICS]

**"SL Securities"** means (a) any Restricted Global Securities identified by CUSIP number 98983V AB2 and ISIN number US98983VAB27 pursuant to Section 2.13, (b) any Unrestricted Global Securities identified by CUSIP number 98983V AC0 and ISIN number US98983VAC00 pursuant to Section 2.13, (c) any Restricted Global Securities identified by CUSIP number 98983V AF3 and ISIN number US98983VAF31, (d) any Unrestricted Global Securities identified by CUSIP number 98983V AE6 and ISIN number US98983VAE65, (e) any

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### Physical Securities held ZUORA, INC. 2018 EQUITY INCENTIVE PLAN GLOBAL PERFORMANCE STOCK UNIT AWARD AGREEMENT

Unless otherwise defined in this Global Performance Stock Unit Award Agreement (this **"Agreement"**), any capitalized terms used herein will have the same meaning ascribed to them in the name of any member Zuora, Inc.2018 Equity Incentive Plan (the **"Plan"**).

Participant has been granted Performance Stock Units (**"PSUs"**) subject to the terms, restrictions and conditions of the Silver Lake Group (as Plan, the Global Notice of Performance Stock Unit Award (the **"Notice"**) and this Agreement, including the Vesting Appendix and the Country Appendix (each as defined in the Investment Agreement) and (f) any temporary Securities issued in exchange for or in lieu Notice), both of the Securities referred to in clauses (a), (b), (c), (d) or (e) in which one or more members constitute part of the Silver Lake Group has a beneficial interest."

this Agreement.

**(b) 1. Section 2.13 Settlement.** Settlement of the Base Indenture is amended and restated as follows:

**"CUSIP Numbers.** The Company in issuing the Securities may use one or more "CUSIP" numbers, and, if so, the Trustee shall use the CUSIP numbers in notices as a convenience to Holders; *provided, however*, that no representation is hereby deemed to PSUs will be made by within 30 days following the Trustee as to applicable date of vesting under the correctness or accuracy of the CUSIP numbers printed on the notice or on the Securities; and *provided further* that reliance may be placed only on the other identification numbers printed on the Securities, and the effectiveness of any such notice shall not be affected by any defect in, or omission of, such CUSIP numbers. The Company shall promptly notify the Trustee in writing of any change in the CUSIP numbers.

On the Issue Date, the Securities shall initially bear the CUSIP and ISIN numbers Vesting Schedule set forth in the following sentence. The CUSIP and ISIN numbers Notice. Settlement of PSUs will be in Shares. No fractional PSUs or rights for the SL Securities that are Restricted Global Securities fractional Shares shall be 98983V AB2 created pursuant to this Agreement.

**2. No Stockholder Rights.** Unless and US98983VAB27, respectively; until such time as Shares are issued in settlement of vested PSUs, Participant will have no ownership of the CUSIP Shares allocated to the PSUs and ISIN numbers for the SL Securities that are Unrestricted Global Securities shall will have no rights to dividends or to vote such Shares.

**3. Dividend Equivalents.** Dividends, if any (whether in cash or Shares), will not be 98983V AC0 credited to Participant.

**4. Non-Transferability of PSUs.** The PSUs and US98983VAC00, respectively; the CUSIP and ISIN numbers for Restricted Global Securities any interest therein will not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than SL Securities shall by will or by the laws of descent or distribution or court order or unless otherwise permitted by the Committee on a case-by-case basis.

**5. Termination.** Except as otherwise provided in the Vesting Appendix, if Participant's Service terminates for any reason, all unvested PSUs will be 98983V AA4 forfeited to the Company forthwith, and US98983VAA44, respectively; all rights of Participant to such PSUs will immediately terminate without payment of any consideration to Participant. Participant's Service will be considered terminated (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) as of the date Participant is no longer actively providing services and Participant's Service will not be extended by any notice period (e.g., Participant's Service would not include a period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any). Participant acknowledges and agrees that the Vesting Schedule may change prospectively in the event Participant's service status changes between full- and part-time and/or in the event Participant is on a leave of absence, in accordance with Company policies relating to work schedules and vesting of awards or as determined by the Committee. In case of any dispute as to whether and when a termination of Service has occurred, the Committee will have sole discretion to determine whether such termination of Service has occurred and the CUSIP and ISIN numbers for Unrestricted Global Securities other than SL Securities shall effective date of such termination (including whether Participant may still be 98983V AD8 and US98983VAD82, respectively).

On September 22, 2023, Additional Securities shall initially bear the CUSIP and ISIN numbers set forth in the following sentence. The CUSIP and ISIN numbers for the SL Securities that are Restricted Global Securities shall considered to be 98983V AF3 and US98983VAF31, respectively; the CUSIP and ISIN numbers for the SL Securities that are Unrestricted Global Securities shall be 98983V AE6 and US98983VAE65, respectively."

**(c)** The footnotes set forth actively providing Services while on Page A-1 a leave of the Form of Security annexed as Exhibit A to the Base Indenture are amended and restated as follows:

**"1** This is included for SL Securities.

**2** This is included for Global Securities.

SL Securities that are Restricted Global Securities shall bear CUSIP 98983V AB2 and ISIN US98983VAB27.

SL Securities that are Unrestricted Global Securities shall bear CUSIP 98983V AC0 and ISIN US98983VAC00.

Restricted Global Securities other than SL Securities shall bear CUSIP 98983V AA4 and ISIN US98983VAA44.

Unrestricted Global Securities other than SL Securities shall bear CUSIP 98983V AD8 and ISIN US98983VAD82.

Additional Securities that are SL Securities and Restricted Global Securities shall bear CUSIP 98983V AF3 and ISIN US98983VAF31.

Additional Securities that are SL Securities and Unrestricted Global Securities shall bear CUSIP 98983V AE6 and ISIN US98983VAE65.

3 This is included for Physical Securities.

4 This is included for Global Securities.

5 This is included for Physical Securities.

6 This is included for Global Securities." absence).

## Section 26. Taxes.

(a) Responsibility for Taxes. Issuance Participant acknowledges that, regardless of Additional Securities. On or about the date of this Supplemental Indenture, the Company shall issue Additional Securities in the aggregate principal amount of

\$150,000,000. Such Additional Securities shall be SL Securities that are Restricted Global Securities originally bearing CUSIP number CUSIP 98983V AF3.

Section 3. Governing Law. THIS SUPPLEMENTAL INDENTURE AND THE SECURITIES, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS SUPPLEMENT INDENTURE OR THE SECURITIES, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 4. Duplicate Originals. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart by facsimile or portable document format shall be effective as delivery of a manually executed counterpart thereof.

Section 5. No Other Amendments. Except as expressly set forth herein, all other terms of the Base Indenture shall remain in full force and effect.

Section 6. Recitals. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture or with respect to the recitals contained herein, all of which recitals are made solely by the Company.

Section 7. Trust Indenture Act. If any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision that is required to be included in this Supplemental Indenture by the Trust Indenture Act of 1939, as amended, the required provision shall control.

Section 8. The Trustee. In carrying out the Trustee's responsibilities hereunder, the Trustee shall have all of the rights, protections, indemnities and immunities which it possesses under the Indenture. The recitals contained herein shall be action taken as the statements of the Company only, and the Trustee assumes no responsibility for their correctness. The Trustee shall not be responsible for and makes no representation as to (i) the validity or sufficiency of this Supplemental Indenture or of the Notes, (ii) the proper authorization hereof by the Company by

action or otherwise, (iii) the due execution hereof by the Company or a Parent, Subsidiary or Affiliate employing or retaining Participant (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items") is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer, if any. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSUs, including, but not limited to, the grant, vesting or settlement of the PSUs and the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Withholding. Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make arrangements satisfactory to the Company and/or the Employer to fulfill all Tax-Related Items. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any withholding obligations for Tax-Related Items by one or a combination of the following:

- (i) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer or any Parent, Subsidiary or Affiliate; or

- (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the PSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization and without further consent); or
- (iii) withholding Shares to be issued upon settlement of the PSUs, provided the Company only withholds the amount of Shares necessary to satisfy no more than the maximum statutory withholding amounts; or
- (iv) Participant's payment of a cash amount (including by check representing readily available funds or a wire transfer); or
- (v) any other arrangement approved by the Committee and permitted under applicable law;

all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (i)-(v) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event.

If Participant is a Section 16 officer of the Company under the Exchange Act, unless determined otherwise by the Committee in advance of a Tax-Related Items withholding event, the method of withholding for this PSU will be (ii) above.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including up to the maximum permissible statutory rate for Participant's tax jurisdiction(s) in which case Participant will have no entitlement to the equivalent amount in Shares and may receive a refund of any over-withheld amount in cash in accordance with applicable law. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of the Shares are held back solely for the purpose of satisfying the withholding obligation for Tax-Related Items.

Finally, Participant agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

**7. Nature of Grant.** By accepting the PSUs, Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the PSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs, even if PSUs have been granted in the past;
- (c) all decisions with respect to future PSUs or other grants, if any, will be at the sole discretion of the Company;
- (d) Participant is voluntarily participating in the Plan;
- (e) the PSUs and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Parent, Subsidiary or Affiliate and shall not interfere with the ability of the Company, the Employer or any Parent, Subsidiary or Affiliate, as applicable, to terminate Participant's employment or service relationship (if any);
- (f) the PSUs and the Shares subject to the PSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) the PSUs and the Shares subject to the PSUs, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) unless otherwise agreed with the Company, the PSUs and the Shares subject to the PSUs, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Parent, Subsidiary or Affiliate;
- (i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- (j) no claim or entitlement to compensation or damages will arise from forfeiture of the PSUs resulting from Participant's termination of Service (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); and



(k) neither the Company, the Employer nor any Parent, Subsidiary or Affiliate will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the PSUs or of any amounts due to Participant pursuant to the settlement of the PSUs or the subsequent sale of any Shares acquired upon settlement.

**8. No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant acknowledges, understands and agrees he or she should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

**9. Data Privacy.** Where required, the legal basis for the processing of Participant's personal data is Participant's consent. Participant hereby explicitly and unambiguously consents to the collection, holding, use, transfer and other processing in electronic or other form, of Participant's personal data as described in the Agreement and any other grant materials by and among, as applicable, the Employer, the Company, any parent or Subsidiary and any of their third-party service providers for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan. The Company, located at 101 Redwood Shores Parkway, Redwood City, CA 94065, USA, is the controller responsible for the processing of Participant's personal data in connection with Participant's participation in the Plan. The Company's representative in the EU is Zuora UK Limited, 25 North Row, London W1K 6DJ, UK.

Participant understands that the Company and the Employer may collect, hold, use, transfer or otherwise process certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all PSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data will be transferred to E\*TRADE Financial Corporate Services, Inc., Computershare, Inc., or other third parties and their affiliated companies ("Online Administrator") or such other stock plan service provider as may be designated by the Company from time to time, which is then assisting the Company with the implementation, administration and management of the Plan. Participant understands that if Participant resides outside the United States, Participant may request a list with the names and addresses of any potential recipients of Data by contacting Participant's local human resources representative. Participant understands that the current recipients of Data are located in the United States, that future recipients might be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than Participant's country. Transfers of Data from the European Union to the United States or other countries can be made on the basis of Standard Contractual Clauses approved by the European Commission or other appropriate safeguards permissible under the applicable law. The Company may receive, process and transfer Data onward to the Online Administrator or other third parties solely on the basis of appropriate data transfer agreements or other appropriate safeguards permissible under the applicable law. Participant understands that, if Participant is located in the EU, Participant can ask for a copy of the appropriate data processing agreements underlying the transfer of Data by contacting Participant's human resources representative.

Participant authorizes the Company, Online Administrator, or such other stock plan service provider as may be designated by the Company from time to time, and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan or to comply with legal or regulatory obligations, including, without limitation, under tax and securities laws. Participant understands that, subject to the conditions set out in the applicable law, Participant may, at any time, access Data, request information about the storage and processing of Data, require any necessary amendments to or the erasure of Data, request the restriction of processing of data portability or refuse or withdraw the consents herein, in any case without cost, by contacting Participant's local human resources representative. In addition, Participant may lodge a complaint with a supervisory authority.

Further, Participant understands that Participant is providing the consents herein on a purely voluntary basis. However, providing and processing Data is a contractual requirement and a condition to Participant's ability to participate in the Plan. If Participant does not consent, or if Participant later seeks to revoke consent, Participant's employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant PSUs or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing Participant's consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that Participant may contact Participant's local human resources representative.

Finally, the Company or the Employer may request that Participant provide an executed data privacy consent form (or any amendment herein provided for).

other agreements or consents) that the Company or the Employer may deem necessary to obtain from Participant for the purpose of administering Participant's participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Providing such executed consent form or agreement is purely voluntary on Participant's part. However, Participant understands and agrees that Participant will not be able to participate in the Plan if Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.



**Section 910. Language.** Enforceability. The Company hereby represents and warrants Participant acknowledges that this Supplemental Indenture he or she is its legal, valid and binding obligation, enforceable against it sufficiently proficient in accordance the English language or has consulted with its terms, subject an advisor who is sufficiently proficient in English as to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), allow Participant

[Signature Page Follows]

**IN WITNESS WHEREOF**, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first above written.

**ZUORA, INC.**

By: /s/ Todd McElhatton  
Name: Todd McElhatton  
Title: Chief Financial Officer

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, as Trustee

By: /s/ Bradley E. Scarbrough  
Name: Bradley E. Scarbrough  
Title: Vice President

**Exhibit 10.1**

**AMENDMENT NO. 1**

**TO INVESTMENT AGREEMENT**

**THIS AMENDMENT NO. 1 TO INVESTMENT AGREEMENT** (this "**Amendment**") is made and entered into as of September 22, 2023 by and among Zuora, Inc., a Delaware corporation (the "**Company**"), Silver Lake Alpine II, L.P., SLA Zurich Aggregator, L.P. and SLA Zurich Holdings, L.P. (collectively, "**Silver Lake**"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Investment Agreement (as defined below).

**RECITALS**

WHEREAS, the Company and Silver Lake entered into that certain Investment Agreement, dated as of March 2, 2022 (the "**Investment Agreement**"), for the purchase and sale of (i) the Company's 3.95% / 5.50% Convertible Senior PIK Toggle Notes due 2029 in the form attached to the Indenture and issued in accordance with understand the terms and conditions of the Indenture and the Investment this Agreement and (ii) warrants any other documents related to purchase shares the Plan. Furthermore, if Participant has received this Agreement or any other document related to the PSU and/or the Plan translated into a language other than English and if the meaning of the Company's Common Stock.

translated version is different than the English version, the English version will control.

**WHEREAS, Article V, Section 5.0111. Appendix.** Notwithstanding any provisions in this Agreement, the PSUs will be subject to any special terms and conditions set forth in the Country Appendix for Participant's country. Moreover, if Participant relocates to one of the Investment Agreement provides that the Company will use reasonable efforts to prepare and file and use reasonable efforts to cause to be declared effective or otherwise become effective pursuant to the Securities Act for the registration of resales of the Notes, Company Common Stock issuable upon conversion of the Notes, the Warrants and the Warrant Shares no later than the eighteen (18) month anniversary of the Initial Closing Date (such date, the "**Initial Target Registration Date**").

WHEREAS, Article VI, Section 6.03 of the Investment Agreement provides that any provision of the Investment Agreement may be amended or modified in whole or in part at any time by an agreement in writing between the Company and Silver Lake (together, the "**Requisite Parties**")

executed countries included in the same manner as Country Appendix, the Investment Agreement.

WHEREAS, the Requisite Parties now wish special terms and conditions for such country will apply to extend the Initial Target Registration Date to the twenty-four (24) month anniversary of the Initial Closing Date, subject to Silver Lake's ability to request an earlier registration date, as set forth below.

NOW, THEREFORE, in consideration of the foregoing recitals and for other consideration, the adequacy and sufficiency of which is hereby acknowledged, the Requisite Parties hereto agree as follows:

1. **AMENDMENT OF INVESTMENT AGREEMENT.** Article V, Section 5.01(a) of the Investment Agreement is hereby amended and restated in its entirety to read as follows:

"(a) The Company will use reasonable efforts to prepare and file and use reasonable efforts to cause to be declared effective or otherwise become effective pursuant to the Securities Act (x) for the registration of resales of the Notes, Company Common Stock issuable upon conversion of the Notes, the Warrants and the Warrant Shares no later than the earlier of (a) the twenty-four (24) month anniversary of the Initial Closing Date and (b) following September 24, 2023, such date that is thirty (30) days following a written request of holders of a majority in

aggregate principal amount of Notes that are Registrable Securities, and (y) for all other registration requests, as soon as reasonably practicable, but no later than three

(3) months, following a written request of holders of a majority in aggregate principal

amount of Notes that are Registrable Securities (such outside date in clause (x) or (y), as applicable, the "Target Registration Date"), a Registration Statement (the "Initial Registration Statement") in order to provide for resales of Registrable Securities to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, which Registration Statement will (except Participant, to the extent the SEC objects in written comments upon Company determines that the SEC's review application of such Registration Statement) include terms and conditions is necessary or advisable for legal or administrative reasons. The Country Appendix constitutes part of this Agreement.

12. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Participant's participation in the Plan, of Distribution. In addition, on the PSUs and on any Shares acquired under the Plan, to the extent the Company will from time determines it is necessary or advisable for legal or administrative reasons, and to time after require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the Initial Registration Statement foregoing.

13. **Acknowledgement.** The Company and Participant agree that the PSUs are granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). Participant: (a) acknowledges receipt of a copy of the Plan and the Plan prospectus, (b) represents that Participant has been declared effective use reasonable efforts carefully read and is familiar with their provisions, and (c) hereby accepts the PSUs subject to file such additional Registration Statements all of the terms and conditions set forth herein and those set forth in the Plan and the Notice.

14. **Entire Agreement; Enforcement of Rights.** This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to cover resales the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No adverse modification of or adverse amendment to this Agreement, nor any waiver of any Registrable Securities requested to rights under this Agreement, will be registered effective unless in writing and signed by the Silver Lake Group that are parties to this Agreement (which writing and signing may be electronic). The failure by either party to enforce any rights under this Agreement will not registered for resale pursuant to be construed as a pre-existing Registration Statement waiver of any rights of such party.

15. **Compliance with Laws and Regulations.** The issuance of Shares will use its reasonable efforts to cause such Registration Statement to be declared effective or otherwise to become effective under the Securities Act and, subject to Section 5.02, will use its reasonable efforts and conditioned upon compliance by the Company and Participant with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Shares may be listed or quoted at the time of such issuance or transfer. Participant understands that the Company is under no obligation to keep register or qualify the Registration Statement continuously effective under Common Stock with any state, federal or foreign securities commission or to seek approval or clearance from any governmental authority for the Securities Act at all times until issuance or sale of the Registration Termination Date. Any Registration Statement filed Shares. Further, Participant agrees that the Company shall have unilateral authority to amend the Plan and this PSU Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares. Finally, the Shares

issued pursuant to this Article V shall cover only Registrable Securities, PSU Agreement shall be on Form S-3 (or a successor form) endorsed with appropriate legends, if any, determined by the Company is eligible to use such form and shall be an automatically effective Registration Statement if the Company is a WKSI (in which case, the Registration Statement may request registration Company.

**16. Severability.** If one or more provisions of an unspecified amount of Registrable Securities this Agreement are held to be sold by unspecified holders), unenforceable under applicable law, then such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, then (a) such provision will be

excluded from this Agreement, (b) the balance of this Agreement will be interpreted as if such provision were so excluded and (c) the balance of this Agreement will be enforceable in accordance with its terms.

## **2.17. GENERAL PROVISIONS Governing Law and Venue.**

**2.1. Full Force, This Agreement and Effect.** Except as expressly modified by this Amendment, the terms of the Investment Agreement shall remain in full force all acts and effect.

**2.2. Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed to constitute any original, but all of which together shall constitute one transactions pursuant hereto and the same document. The words "execution," "signed," "signature," "delivery," rights and words obligations of like import in or relating to this Amendment or any document to be signed in connection with this Amendment shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

**2.3. Effectiveness.** The provisions of this Amendment shall be effective as to all parties to the Investment Agreement (retroactively and prospectively) upon the execution hereof.

**2.4. Titles and Subtitles.** The titles and subtitles used in this Amendment are used for convenience only and are not to be considered in construing or interpreting this Amendment.

**2.5. Severability.** The invalidity or unenforceability of any provision hereof of this Amendment shall in no way affect the validity or enforceability of any other provision.

**2.6. Further Assurances.** The parties agree to execute such further documents and instruments and to take such further actions as may be reasonably necessary to carry out the purposes and intent of this Amendment.

**2.7. Governing Law.** This Amendment shall will be governed, by construed and construed interpreted in accordance with the laws of the State of Delaware, without giving effect to any choice or such state's conflict of law provision laws rules.

Any and all disputes relating to, concerning or rule (whether arising from this Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Agreement, will be brought and heard exclusively in the United States District Court for the District of Northern California or the Superior Court of California, County of San Mateo. Each of the State parties hereby represents and agrees that such party is subject to the personal jurisdiction of Delaware said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

**18. No Rights as Employee, Director or Consultant.** Nothing in this Agreement will affect in any manner whatsoever any right or power of the Company, or a Parent, Subsidiary or Affiliate, to terminate Participant's Service, for any reason, with or without Cause.

**19. Consent to Electronic Delivery of All Plan Documents and Disclosures.** By Participant's acceptance of the Notice (whether in writing or electronically), Participant and the Company agree that the PSUs are granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement. Participant has reviewed the Plan, the Notice and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and Agreement, and fully understands all provisions of the Plan, the Notice and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement. Participant further agrees to notify the Company upon any change in Participant's residence address. By acceptance of the PSUs, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company and consents to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the SEC, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information

related to the PSUs and current or future participation in the Plan. Electronic delivery may include the delivery of a link to the Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. Participant acknowledges that Participant may receive from the Company a paper copy of any documents delivered electronically at no cost if Participant contacts the Company by telephone, through a postal service or electronic mail to Stock Administration. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to the Company or any other designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant's consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying the Company

of such revised or revoked consent by telephone, postal service or electronic mail to Stock Administration.

**20. Insider Trading Restrictions/Market Abuse Laws.** Participant acknowledges that, depending on Participant's country of residence, the broker's country, or the country in which the Shares are listed, Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, which may affect Participant's ability to directly or indirectly, accept, acquire, sell or attempt to sell or otherwise dispose of Shares, or rights to Shares (e.g., PSUs), or rights linked to the value of Shares, during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in the applicable jurisdiction). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before possessing the inside information. Furthermore, Participant may be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them to otherwise buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that would cause may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is Participant's responsibility to comply with any applicable restrictions and understands that Participant should consult his or her personal legal advisor on such matters. In addition, Participant acknowledges that he or she read the application Company's Insider Trading Policy, and agrees to comply with such policy, as it may be amended from time to time, whenever Participant acquires or disposes of the laws Company's securities.

**21. Foreign Asset/Account, Exchange Control and Tax Reporting.** Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of Shares or cash resulting from his or her participation in the Plan. Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in Participant's country and/or repatriate funds received in connection with the Plan within certain time limits or according to specified procedures. Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and should consult his or her personal legal and tax advisors on such matters.

**22. Code Section 409A.** For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service" as defined in Section 409A of the Internal Revenue Code and the regulations thereunder ("**Section 409A**"). Notwithstanding anything else provided herein, to the extent any payments provided under this PSU Agreement in connection with Participant's termination of employment constitute deferred compensation subject to Section 409A, and Participant is deemed at the time of such termination of employment to be a "specified employee" under Section 409A, then such payment shall not be made or commence until the earlier of (i) the expiration of the six-month period measured from Participant's separation from service from the Company or (ii) the date of Participant's death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Participant including, without limitation, the additional tax for which Participant would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. To the extent any payment under this PSU Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

**23. Award Subject to Company Clawback or Recoupment.** The PSUs shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant's employment or other Service that is applicable to Participant. In addition to any other remedies available under such policy, applicable law may require the cancellation of Participant's PSUs (whether vested or unvested) and the recoupment of any jurisdiction gains realized with respect to Participant's PSUs.

BY ACCEPTING THIS AWARD OF PSUS, PARTICIPANT AGREES TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

## APPENDIX B

### ZUORA, INC.

#### 2018 EQUITY INCENTIVE PLAN

#### GLOBAL PERFORMANCE STOCK UNIT AWARD AGREEMENT

## COUNTRY SPECIFIC PROVISIONS

### Terms and Conditions

This Country Appendix includes additional terms and conditions that govern the PSUs granted to Participant under the Plan if Participant resides and/or works in one of the countries below. This Country Appendix forms part of the Agreement. Any capitalized term used in this Country Appendix without definition will have the meaning ascribed to it in the Notice, the Agreement or the Plan, as applicable.

If Participant is a citizen or resident of a country, or is considered resident of a country, other than the State one in which Participant is currently working, or Participant transfers employment and/or residency between countries after the Date of Delaware. Grant, the Company will, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to Participant under these circumstances.

### [REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK] Notifications

IN WITNESS WHEREOF, this Amendment has been executed by This Country Appendix also includes information relating to exchange control, securities laws, foreign asset/account reporting and other issues of which Participant should be aware with respect to Participant's participation in the parties hereto Plan. Such laws are complex and change frequently. As a result, Participant should not rely on the information herein as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time that Participant vests in the PSUs, sells Shares acquired under the Plan or by their respective duly authorized officers, all as of takes any other action in connection with the date first above written. Plan.

ZUORA, INC. In addition, the information is general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

By: /s/ Tien Tzuo Finally, if Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working and/or residing, or Participant transfers employment and/or residency after the Date of Grant, the information contained herein may not apply to Participant in the same manner.

Name: Tien Tzuo

Title: Chief Executive Officer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO INVESTMENT AGREEMENT] 10

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto or by their respective duly authorized officers, all as of the date first above written.

SILVER LAKE ALPINE II, L.P.

BY: SILVER LAKE ALPINE II ASSOCIATES, L.P., ITS GENERAL PARTNER

BY: SLAA II (GP), L.L.C., ITS GENERAL PARTNER

BY: SILVER LAKE GROUP, L.L.C., ITS MANAGING MEMBER

By: /s/ Andrew J. Schader

Name: Andrew J. Schader

Title: Managing Director

SLA ZURICH AGGREGATOR, L.P.

By: SLA ALPINE II AGGREGATOR GP, L.L.C., ITS GENERAL PARTNER

By: SILVER LAKE ALPINE ASSOCIATES II, L.P., ITS MANAGING MEMBER

By: SLAA II (GP), L.L.C., ITS GENERAL PARTNER

By: SILVER LAKE GROUP, L.L.C., ITS MANAGING MEMBER

By: /s/ Andrew J. Schader  
Name: Andrew J. Schader  
Title: Managing Director

SLA ZURICH HOLDINGS, L.P.

By: SLA ZURICH GP, L.L.C., ITS  
GENERAL PARTNER

By: /s/ Andrew J. Schader  
Name: Andrew J. Schader  
Title: Managing Director [INSERT COUNTRY SPECIFIC PROVISIONS]

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO INVESTMENT AGREEMENT] 11

Exhibit 10.2

October 27, 2023

**Letter Agreement**

Reference is made to the Loan and Security Agreement dated as of June 14, 2017 (as amended, modified, supplemented and/or restated from time to time, the "**Loan Agreement**") by and between Silicon Valley Bank, a division of First-Citizens Bank & Trust Company ("**Bank**"), and Zuora, Inc., a Delaware corporation ("**Borrower**"). Capitalized terms used but not otherwise defined herein shall have the same meanings set forth in the Loan Agreement.

Section 6.8(a) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"Borrower and its subsidiaries shall maintain at least thirty million Dollars (\$30,000,000) in the aggregate in Deposit Accounts and Securities Accounts with Bank or Bank's Affiliates."

Nothing herein shall limit any terms in the Loan Agreement pertaining to accounts of Borrower maintained outside of Bank including, without limitation, those requirements pertaining to (i) notifications to Bank of the establishment of any account with a financial institution other than Bank or (ii) delivery of a fully-executed account control agreement with respect to each such account; provided that for any Collateral Account with an institution other than Bank established on or after the date hereof, Borrower shall have thirty (30) days after the opening of such Collateral Account to deliver a Control Agreement over such Collateral Account.

In consideration for Bank's agreements hereunder, Borrower hereby forever relieves, releases, and discharges Bank, its predecessors in interest, and their respective present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this letter agreement. Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY." Borrower expressly, knowingly, and intentionally waive any and all rights, benefits, and protections of Section 1542 of the California Civil Code and of any other state or federal statute or common law principle limiting the scope of a general release.

Except for the limited purpose expressly set forth herein, this letter agreement shall in no way limit, amend or waive any provision of the Loan Agreement or any of the Loan Documents, or any of Bank's rights stated therein. This letter agreement shall be deemed to be a Loan Document.

[Signature Page Follows]

This letter agreement shall be effective as of the date first written above.

Sincerely,

**FIRST-CITIZENS BANK & TRUST COMPANY**

By /s/ Colton Sterba

Name: Colton Sterba

Title: Vice President

Acknowledged and agreed:

**ZUORA, INC.**

By /s/ Matt Dobson

Name: Matt Dobson

Title: SVP & Chief Accounting Officer

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tien Tzuo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zuora, 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: **December 7, 2023** May 31, 2024

/s/ Tien Tzuo

Tien Tzuo

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd McElhatton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zuora, 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: December 7, 2023 May 31, 2024

/s/ Todd McElhatton  
\_\_\_\_\_  
Todd McElhatton  
Chief Financial Officer  
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tien Tzuo, Chief Executive Officer of Zuora, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2023 April 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2023 May 31, 2024

/s/ Tien Tzuo  
\_\_\_\_\_  
Tien Tzuo  
Chief Executive Officer  
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd McElhatton, Chief Financial Officer of Zuora, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2023 April 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2023 May 31, 2024

/s/ Todd McElhatton  
\_\_\_\_\_  
Todd McElhatton  
Chief Financial Officer  
(Principal Financial Officer)

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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