REFINITIV

DELTA REPORT

10-Q

SQSP - SQUARESPACE, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1736
CHANGES	243
DELETIONS	735
ADDITIONS	758

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

FORM 10-Q

[Mark One]

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

For the quarterly period ended September 30, 2023 March 31, 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: 001-40393

SQUARESPACE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**20-0375811** **(I.R.S. Employer Identification No.)**
225 Varick Street, 12th Floor **New York, New York** **(Address of Principal Executive Offices)**	**10014** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (646) 580-3456

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.0001 0.0001 par value per share	SQSP	New York Stock Exchange

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 Regulations 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	☐☒	Accelerated filer	☒☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging Growth Company	☒☐		

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

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

As of September 30, 2023 March 31, 2024, the registrant had 88,124,267 89,684,219 shares of Class A Common Stock, 47,844,755 shares of Class B Common Stock, and no shares of Class C Common Stock, each with a par value of $0.0001 per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that reflect our current views with respect to, among other things, future events and our future business, financial condition and results of operations. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or phrases or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not statements of historical fact, and are based on current expectations, estimates and projections about our industry as well as certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, which you should consider and read carefully, including but not limited to:

- our ability to attract and retain customers and expand our customers' use of our platform;
- our ability to anticipate market needs and develop new solutions to meet those needs;
- our ability to improve and enhance the functionality, performance, reliability, design, security and scalability of our existing solutions;
- our ability to compete successfully in our industry against current and future competitors;
- the impact of the COVID-19 pandemic on how we, our providers, and consumers operate and the extent to which this will affect our business, future results of operations, and financial condition;
- our ability to manage growth and maintain demand for our solutions;
- our ability to protect and promote our brand;
- our ability to generate new customers through our marketing and selling activities;
- our ability to successfully identify, manage and integrate any existing and potential acquisitions or achieve the expected benefits of such acquisitions;
- our ability to hire, integrate and retain highly skilled personnel;
- our ability to adapt to and comply with existing and emerging regulatory developments, technological changes and cybersecurity needs;
- our compliance with privacy and data protection laws and regulations as well as contractual privacy and data protection obligations;

- our ability to establish and maintain intellectual property rights;
- our ability to manage expansion into international markets;
- the expected timing, amount and effect of our share repurchases; and
- the other risks and uncertainties described under “Risk Factors.”

This list of factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Quarterly Report on Form 10-Q. 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 trends discussed in this Quarterly Report on Form 10-Q, and our future levels of activity and performance, may not occur and actual results could differ materially and adversely from those described or implied in the forward-looking statements. As a result, you should not regard any of these forward-looking statements as a representation or warranty by us or any other person or place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

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

You should read this Quarterly Report on Form 10-Q and the documents that we reference herein and have filed as exhibits to the Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by the cautionary statements contained in this section and elsewhere in this Quarterly Report on Form 10-Q.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SQUARESPACE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
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	$ 216,464	$ 197,037		
Restricted cash	Restricted cash	40,671	35,583		
Investment in marketable securities	Investment in marketable securities	—	31,757		
Accounts receivable, net		21,999	10,748		
Accounts receivable					
Due from vendors	Due from vendors	4,292	4,442		
Prepaid expenses and other current assets	Prepaid expenses and other current assets	57,398	48,326		
Total current assets	Total current assets	340,824	327,893		
Property and equipment, net	Property and equipment, net	57,245	51,633		

Operating lease right-of-use assets	Operating lease right-of-use assets	79,810	86,824
Goodwill	Goodwill	210,438	210,438
Intangible assets, net	Intangible assets, net	205,147	42,808
Other assets	Other assets	11,432	10,921
Total assets	Total assets	$ 904,896	$ 730,517
Liabilities and Stockholders' Deficit	**Liabilities and Stockholders' Deficit**		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 10,561	$ 12,987
Accrued liabilities	Accrued liabilities	113,733	64,360
Deferred revenue	Deferred revenue	315,603	269,689
Funds payable to customers	Funds payable to customers	44,208	38,845
Debt, current portion	Debt, current portion	48,977	40,758
Operating lease liabilities, current portion	Operating lease liabilities, current portion	12,352	11,514
Total current liabilities	Total current liabilities	545,434	438,153
Deferred income taxes, non-current portion	Deferred income taxes, non-current portion	978	788
Debt, non-current portion	Debt, non-current portion	531,714	473,167
Operating lease liabilities, non-current portion	Operating lease liabilities, non-current portion	100,710	110,169
Other liabilities	Other liabilities	14,022	11,231
Total liabilities	Total liabilities	1,192,858	1,033,508
Commitments and contingencies (see Note 12)			
Commitments and contingencies (see Note 10)	Commitments and contingencies (see Note 10)		
Stockholders' deficit:	Stockholders' deficit:		
Class A common stock, par value of $0.0001; 1,000,000,000 shares authorized as of September 30, 2023 and December 31, 2022, respectively; 88,124,267 and 87,754,534 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		8	8
Class B common stock, par value of $0.0001; 100,000,000 shares authorized as of September 30, 2023 and December 31, 2022, respectively; 47,844,755 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		5	5

Class C common stock (authorized May 10, 2021), par value of $0.0001; 1,000,000,000 shares authorized as of September 30, 2023 and December 31, 2022, respectively; zero shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Class A common stock, par value of $0.0001; 1,000,000,000 shares authorized as of March 31, 2024 and December 31, 2023, respectively; 89,684,219 and 88,545,012 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively		
Class A common stock, par value of $0.0001; 1,000,000,000 shares authorized as of March 31, 2024 and December 31, 2023, respectively; 89,684,219 and 88,545,012 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively		
Class A common stock, par value of $0.0001; 1,000,000,000 shares authorized as of March 31, 2024 and December 31, 2023, respectively; 89,684,219 and 88,545,012 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively		
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Class C common stock (authorized May 10, 2021), par value of $0.0001; 1,000,000,000 shares authorized as of March 31, 2024 and December 31, 2023, respectively; zero shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively		
Additional paid in capital		
Additional paid in capital	905,069	875,737

Accumulated other comprehensive loss	Accumulated other comprehensive loss	(3,631)	(1,665)
Accumulated deficit	Accumulated deficit	(1,189,413)	(1,177,076)
Total stockholders' deficit	Total stockholders' deficit	(287,962)	(302,991)
Total liabilities and stockholders' deficit	Total liabilities and stockholders' deficit	$ 904,896	$ 730,517

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
	Three Months Ended March 31,				
	2024				
		Three Months Ended March 31,			
		2024	**2023**		
Revenue	Revenue	$ 257,061	$ 217,696	$ 741,618	$ 638,160
Cost of revenue	Cost of revenue	51,753	38,907	137,870	112,549
Gross profit	Gross profit	205,308	178,789	603,748	525,611
Operating expenses:	Operating expenses:				
Research and product development	Research and product development	60,491	54,312	180,473	170,469
Research and product development					
Research and product development					
Marketing and sales	Marketing and sales	81,016	74,248	258,061	255,897
General and administrative	General and administrative	36,155	38,507	99,404	113,678
Total operating expenses	Total operating expenses	177,662	167,067	537,938	540,044
Operating income/(loss)		27,646	11,722	65,810	(14,433)
Operating (loss)/income					
Interest expense	Interest expense	(9,321)	(5,209)	(26,050)	(10,977)
Other income, net		6,327	6,869	7,525	14,597
Income/(loss) before provision for income taxes		24,652	13,382	47,285	(10,813)
Provision for income taxes		(41,151)	(3,277)	(59,622)	(7,446)
Net (loss)/income		$ (16,499)	$ 10,105	$ (12,337)	$ (18,259)

Other income/(loss)				
Loss before benefit from income taxes				
Benefit from income taxes				
Net income				
Net (loss)/income per share, basic and dilutive	$ (0.12)	$ 0.07	$ (0.09)	$ (0.13)
Weighted-average shares used in computing net (loss)/income per share, basic	135,736,599	137,832,634	135,321,873	139,106,807
Weighted-average shares used in computing net (loss)/income per share, dilutive	135,736,599	139,667,719	135,321,873	139,106,807
Net income per share, basic and diluted				
Net income per share, basic and diluted				
Net income per share, basic and diluted				
Weighted-average shares used in computing net income per share, basic				
Weighted-average shares used in computing net income per share, diluted				

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss)/income	$ (16,499)	$ 10,105	$ (12,337)	$ (18,259)
Other comprehensive loss				
Foreign currency translation adjustment	(2,144)	(2,275)	(2,182)	(5,113)
Unrealized (loss)/gain on marketable securities, net of income taxes	—	(35)	216	(290)
Total other comprehensive loss	(2,144)	(2,310)	(1,966)	(5,403)
Total comprehensive (loss)/income	$ (18,643)	$ 7,795	$ (14,303)	$ (23,662)

	Three Months Ended March 31,	
	2024	2023
Net income	$ 144	$ 502

Other comprehensive income		
Foreign currency translation adjustment	44	258
Unrealized (loss)/gain on marketable securities, net of income taxes	(27)	216
Total other comprehensive income	17	474
Total comprehensive income	$ 161	$ 976

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(in thousands, except share data)

(unaudited)

Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2023

		Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2022		87,754,534	$ 8	47,844,755	$ 5	—	$ —	$ 875,737	$ (1,665)	$ (1,177,076)	$ (302,991)

	Class A Common Stock	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid in Capital	Accumulated Other Comprehensive Loss
	Shares					
Balance at December 31, 2023						
Balance at December 31, 2023						
Balance at December 31, 2023						

Stock-based compensation	Stock-based compensation	—	—	—	—	—	—	22,595	—	—	22,595
Stock option exercises	Stock option exercises	13,050	—	—	—	—	—	52	—	—	52
Vested RSUs converted to common shares	Vested RSUs converted to common shares	1,357,462	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	Taxes paid related to net share settlement of equity awards	(573,862)	—	—	—	—	—	(13,369)	—	—	(13,369)
Repurchase and retirement of Class A common stock	Repurchase and retirement of Class A common stock	(1,256,170)	—	—	—	—	—	(25,321)	—	—	(25,321)
Excise tax on repurchase of Class A common stock	Excise tax on repurchase of Class A common stock	—	—	—	—	—	—	(277)	—	—	(277)
Net income	Net income	—	—	—	—	—	—	—	—	502	502
Total other comprehensive income, net of taxes	Total other comprehensive income, net of taxes	—	—	—	—	—	—	—	474	—	474
Balance at March 31, 2023		87,295,014	$ 8	47,844,755	$ 5	—	$ —	$ 859,417	$ (1,191)	$ (1,176,574)	$ (318,335)
		—	—	—	—	—	—	30,648	—	—	30,648

	Class A Common Stock Shares	Class A Amount	Class B Common Stock Shares	Class B Amount	Class C Common Stock Shares	Class C Amount	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
Stock-based compensation							[illegible]			[illegible]
Stock option exercises	21,635	—	—	—	—	—	42	—	—	42
Vested RSUs converted to common shares	640,562	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(233,544)	—	—	—	—	—	(6,915)	—	—	(6,915)
Net income	—	—	—	—	—	—	—	—	3,660	3,660
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	(296)	—	(296)
Balance at June 30, 2023	87,723,667	$ 8	47,844,755	$ 5	—	$ —	$ 883,192	$ (1,487)	$ (1,172,914)	$ (291,196)
Stock-based compensation	—	—	—	—	—	—	29,806	—	—	29,806
Stock option exercises	19,564	—	—	—	—	—	57	—	—	57
Vested RSUs converted to common shares	642,162	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(261,126)	—	—	—	—	—	(7,986)	—	—	(7,986)
Net loss	—	—	—	—	—	—	—	—	(16,499)	(16,499)
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	(2,144)	—	(2,144)
Balance at September 30, 2023	88,124,267	$ 8	47,844,755	$ 5	—	$ —	$ 905,069	$ (3,631)	$ (1,189,413)	$ (287,962)

Balance at March 31, 2024

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	87,754,534	$ 8	47,844,755	$ 5	—	$ —	$ 875,737	$ (1,665)	$ (1,177,076)	$ (302,991)
Stock-based compensation	—	—	—	—	—	—	22,595	—	—	22,595
Stock option exercises	13,050	—	—	—	—	—	52	—	—	52
Vested RSUs converted to common shares	1,357,462	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(573,862)	—	—	—	—	—	(13,369)	—	—	(13,369)
Repurchase and retirement of Class A common stock	(1,256,170)	—	—	—	—	—	(25,321)	—	—	(25,321)
Excise tax on repurchase of Class A common stock	—	—	—	—	—	—	(277)	—	—	(277)
Net income	—	—	—	—	—	—	—	—	502	502
Total other comprehensive income, net of taxes	—	—	—	—	—	—	—	474	—	474
Balance at March 31, 2023	87,295,014	$ 8	47,844,755	$ 5	—	$ —	$ 859,417	$ (1,191)	$ (1,176,574)	$ (318,335)

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(in thousands, except share data)

(unaudited)

Three and Nine Months Ended September 30, 2022

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	90,826,625	$ 9	48,344,755	$ 5	—	$ —	$ 911,570	$ (208)	$ (924,855)	$ (13,479)
Stock-based compensation	—	—	—	—	—	—	24,160	—	—	24,160

Stock option exercises	343,687	—	—	—	—	—	1,141	—	—	1,141
Vested RSUs converted to common shares	680,134	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(287,455)	—	—	—	—	—	(7,672)	—	—	(7,672)
Net loss	—	—	—	—	—	—	—	—	(92,860)	(92,860)
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	(979)	—	(979)
Balance at March 31, 2022	91,562,991	$ 9	48,344,755	$ 5	—	$ —	$ 929,199	$ (1,187)	$ (1,017,715)	$ (89,689)
Stock-based compensation	—	—	—	—	—	—	27,056	—	—	27,056
Stock option exercises	269,064	—	—	—	—	—	969	—	—	969
Vested RSUs converted to common shares	827,149	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(350,156)	—	—	—	—	—	(7,602)	—	—	(7,602)
Repurchase and retirement of Class A common stock	(1,562,460)	—	—	—	—	—	(35,202)	—	—	(35,202)
Conversion of Class B common stock to Class A common stock	500,000	—	(500,000)	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	64,496	64,496
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	(2,114)	—	(2,114)
Balance at June 30, 2022	91,246,588	$ 9	47,844,755	$ 5	—	$ —	$ 914,420	$ (3,301)	$ (953,219)	$ (42,086)
Stock-based compensation	—	—	—	—	—	—	24,572	—	—	24,572
Stock option exercises	29,797	—	—	—	—	—	48	—	—	48
Vested RSUs converted to common shares	237,846	—	—	—	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(97,346)	—	—	—	—	—	(2,060)	—	—	(2,060)
Repurchase and retirement of Class A common stock	(2,431,995)	—	—	—	—	—	(50,378)	—	—	(50,378)
Conversion of Class B common stock to Class A common stock	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	10,105	10,105
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	(2,310)	—	(2,310)
Balance at September 30, 2022	88,984,890	$ 9	47,844,755	$ 5	—	$ —	$ 886,602	$ (5,611)	$ (943,114)	$ (62,109)

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	Three Months Ended March 31, 2024	**Three Months Ended March 31, 2024 / 2023**
OPERATING ACTIVITIES:		
OPERATING ACTIVITIES:		
Net loss	$ (12,337)	$ (18,259)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net income		
Net income		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		
Depreciation and amortization		

Depreciation and amortization	Depreciation and amortization	24,975	23,773
Stock-based compensation	Stock-based compensation	79,922	75,051
Deferred income taxes	Deferred income taxes	190	—
Non-cash lease (income)/expense		(1,601)	2,258
Non-cash lease income			
Other	Other	485	700
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable and due from vendors			
Accounts receivable and due from vendors			
Accounts receivable and due from vendors	Accounts receivable and due from vendors	(11,151)	(3,099)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(9,486)	(11,514)
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	44,080	6,034
Deferred revenue	Deferred revenue	47,786	38,035
Funds payable to customers	Funds payable to customers	5,364	12,936
Other operating assets and liabilities	Other operating assets and liabilities	1,800	(798)
Net cash provided by operating activities	Net cash provided by operating activities	170,027	125,117
INVESTING ACTIVITIES:	**INVESTING ACTIVITIES:**		
Proceeds from the sale and maturities of marketable securities	Proceeds from the sale and maturities of marketable securities	39,664	22,740
Cash paid for asset acquisition		(176,721)	—
Proceeds from the sale and maturities of marketable securities			
Proceeds from the sale and maturities of marketable securities			

Purchases of marketable securities	Purchases of marketable securities	(7,824)	(19,444)
Purchase of property and equipment	Purchase of property and equipment	(13,141)	(8,852)
Net cash used in investing activities		(158,022)	(5,556)
Net cash (used in)/provided by investing activities			
FINANCING ACTIVITIES:	**FINANCING ACTIVITIES:**		
Borrowings on Term Loan		99,444	—
Payments of debt issuance costs		(637)	—
Principal payments on debt			
Principal payments on debt			
Principal payments on debt	Principal payments on debt	(32,623)	(10,189)
Payments for repurchase and retirement of Class A common stock	Payments for repurchase and retirement of Class A common stock	(25,321)	(85,580)
Taxes paid related to net share settlement of equity awards	Taxes paid related to net share settlement of equity awards	(28,306)	(17,334)
Proceeds from exercise of stock options	Proceeds from exercise of stock options	191	2,158
Net cash provided by/(used in) financing activities		12,748	(110,945)
Net cash used in financing activities			
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(238)	(985)
Net increase in cash, cash equivalents and restricted cash		24,515	7,631
Net (decrease)/increase in cash, cash equivalents and restricted cash			
Cash, cash equivalents, and restricted cash at the beginning of the period	Cash, cash equivalents, and restricted cash at the beginning of the period	232,620	233,680

Cash, cash equivalents, and restricted cash at the end of the period	Cash, cash equivalents, and restricted cash at the end of the period	$257,135	$241,311
Reconciliation of cash, cash equivalents, and restricted cash:	Reconciliation of cash, cash equivalents, and restricted cash:		
Reconciliation of cash, cash equivalents, and restricted cash:			
Reconciliation of cash, cash equivalents, and restricted cash:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	$216,464	$200,480
Restricted cash	Restricted cash	40,671	40,831
Cash, cash equivalents, and restricted cash at the end of the period	Cash, cash equivalents, and restricted cash at the end of the period	$257,135	$241,311
SUPPLEMENTAL DISCLOSURE OF CASH FLOW	**SUPPLEMENTAL DISCLOSURE OF CASH FLOW**		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW			
SUPPLEMENTAL DISCLOSURE OF CASH FLOW			
Cash paid during the year for interest	Cash paid during the year for interest	$ 25,407	$ 10,283
Cash paid during the year for income taxes		$ 31,240	$ 9,450
Cash paid during the year for interest			
Cash paid during the year for interest			
Cash paid during the year for income taxes, net of refunds			
Cash paid for amounts included in the measurement of operating lease liabilities			
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCE ACTIVITIES	**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCE ACTIVITIES**		
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCE ACTIVITIES			
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCE ACTIVITIES			
Purchases of property and equipment included in accounts payable and accrued liabilities	Purchases of property and equipment included in accounts payable and accrued liabilities	$ 23	$ 1,814

Non-cash leasehold improvements		$ —	$ 5,863
Purchases of property and equipment included in accounts payable and accrued liabilities			
Purchases of property and equipment included in accounts payable and accrued liabilities			
Capitalized stock-based compensation	Capitalized stock-based compensation	$ 3,127	$ 737
Accrued taxes related to net share settlement of equity awards			

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

SQUARESPACE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

1. Description of Business

Squarespace, Inc. and its subsidiaries (the “Company”) is a leading all-in-one platform for businesses and independent creators to build an online presence, grow their brands and manage their businesses across the internet. The Company offers websites, domains, e-commerce, tools for managing a social media presence, marketing tools, scheduling and hospitality services. The Company is headquartered in New York, NY, with additional offices operating in Chicago, IL, Dublin, Ireland and Aveiro, Portugal.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies.

The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company’s condensed consolidated financial statements may not be comparable to financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards based on public company effective dates.

The Company will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the Company’s total annual gross revenue is at least $1,235,000, (ii) the last day of the fiscal year following the fifth anniversary of the completion of the Company's direct listing, (iii) the date on which the Company issued more than $1,000,000 in non-convertible debt securities during the prior three-year period, or (iv) the date on which the Company becomes a large accelerated filer.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Company’s condensed consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and include the Company’s wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission. The condensed balance sheet data as of December 31, 2022 December 31, 2023 was derived from the Company's audited financial statements but does not include all disclosures required by U.S. GAAP. Therefore, these unaudited, condensed, consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K filed with the SEC on March 9, 2023 February 28, 2024. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Management’s estimates are based on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Significant estimates include but are not limited to (i) the recognition and measurement of loss contingencies; (ii) the inputs used in the valuation of acquired intangible assets; (iii) (ii) the inputs used in the quantitative assessment over goodwill impairment impairment; (iii) the grant date fair value of stock-based awards; (iv) the recognition, measurement and valuation of current and deferred income taxes; (v) existence (iv) amount of applicable indirect tax nexus in different jurisdictions and associated indirect tax liabilities; and (vi) (v) the incremental borrowing rate for operating lease liabilities. The Company evaluates its assumptions and estimates on an ongoing basis and adjusts prospectively, if necessary.

Operating Segments and Reporting Units

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”), who makes decisions about allocating resources and assessing performance. The Company defines its CODM as its Chief Executive Officer ("CEO"). An operating segment is determined to be a reporting unit if all of its components are similar or if it consists of a single component. A component consists of a business within an operating segment for which discrete financial information is available and regularly reviewed by the CODM.

During the nine months ended September 30, 2023, the Company revised its operating segments to reflect changes to the manner in which the CODM assesses performance and makes resource allocations. As a result of these changes, the Company is operating as one operating segment with one reportable segment. Therefore, all required segment information can be found in the condensed consolidated financial statements.

Concentration of Risks Related to Credit, Interest Rates and Foreign Currencies

The Company is subject to credit risk, interest rate risk on its outstanding indebtedness, market risk on investments and foreign currency risk in connection with the Company's operations internationally.

The Company maintains the components of its cash and cash equivalents balance in various accounts, which from time to time exceed the federal depository insurance coverage limit. In addition, substantially all cash and cash equivalents, as well as marketable securities, are held by four financial institutions. The Company has not experienced any concentration losses related to its cash, cash equivalents and marketable securities to date.

As of September 30, 2023 During the three months ended March 31, 2024 and December 31, 2022, 2023, no single customer accounted for more than 10% of the Company's accounts receivable. Additionally, no single revenue. As of March 31, 2024 and December 31, 2023, one customer accounted for more than 10% 42% and 37%, respectively, of the Company's revenue during the three and nine months ended September 30, 2023 and 2022. Company's accounts receivable.

The Company is also subject to foreign currency risks that arise from normal business operations.Foreign currency risks include the translation of local currency and intercompany balances established in local customer currencies sold through the Company's Company's international subsidiaries.

Cash and Cash Equivalents

Cash and cash equivalents are stated at fair value. The Company considers all highly liquid investments purchased with an original maturity date of 90 days or less from the date of original purchase to be cash equivalents.

Interest income on cash and cash equivalents was $2,274 $2,983 and $4,808 $1,062 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $504 and $821 for the three and nine months ended September 30, 2022, 2023, respectively, and was included in other income, income/(loss), net in the condensed consolidated statements of operations.

SQUARESPACE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Restricted Cash and Payment Processing Transactions

The Company holds funds and processes certain payments and holds funds for its hospitality services on behalf of its customers consisting of prepayments for restaurant reservations, to-go orders and events. While the Company does not have any contractual obligations to hold such cash as restricted, the prepayments and associated sales tax are were included in restricted cash in the condensed consolidated balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

In addition, the Company recognizes recognized the liability due to restaurant its customers in funds payable to customers and the associated sales tax payable in accrued liabilities in the condensed consolidated balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Funds are remitted The Company remits funds to the restaurant customers based on the stipulated contract terms. In addition to restricted cash held on behalf of restaurant its customers, the Company recognizes in-transit receivables from certain third-party vendors which assist in processing and settling payment transactions due to a clearing period before the related cash is received or settled. In-transit receivables are included in due from vendors in the condensed consolidated balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The following table represents the assets and liabilities related to payment processing transactions: transactions for restaurant reservations, to-go orders and events:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Restricted cash	Restricted cash	$ 40,671	$ 35,583		
Due from vendors	Due from vendors	4,292	4,442		

Total payment processing assets	Total payment processing assets	44,963	40,025
Funds payable to customers	Funds payable to customers	(44,208)	(38,845)
Sales tax payable		(755)	(1,180)
Total payment processing liabilities	Total payment processing liabilities	(44,963)	(40,025)
Total payment processing transactions, net	Total payment processing transactions, net	$ —	$ —

Investment in Marketable Securities

The Company classifies its investment in marketable securities as available for sale securities which are stated at fair value, as determined by quoted market prices. Unrealized gains and losses are included in accumulated other comprehensive loss in the condensed consolidated balance sheets. Unrealized losses are evaluated for impairment and those considered other than temporarily impaired are included in other income/(loss), net in the condensed consolidated statements of operations. Subsequent gains or losses realized upon redemption or sale of these securities in excess or below their adjusted cost basis are also included in other income/(loss), net in the condensed consolidated statements of operations. The cost of securities sold is based upon the specific identification method.

The Company considers all of its investment in marketable securities, irrespective of the maturity date, as available for use in current operations, and therefore classifies these securities within current assets in the condensed consolidated balance sheet.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement, describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

See “Note 6. Fair Value of Financial Instruments” for further information.

Asset Acquisitions Net Income/(Loss) Per Share

The Company evaluates whether substantially all computes net income/(loss) per share under the two-class method required for multiple classes of common stock. The rights, including the liquidation and dividend rights, of the fair value of Class A, Class B and Class C common stock are substantially identical, other than voting rights. Accordingly, the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets to determine whether a transaction is accounted for as a business combination or an asset acquisition.

The Company accounts for asset acquisitions using a cost accumulation model whereby the cost of the acquisition, including direct transaction costs, is allocated to the acquired assets based on their relative fair values. The asset acquisition cost or consideration transferred on the acquisition date is generally used in determining the fair value of the net assets acquired. The Company allocates the consideration transferred between the asset acquired Class A, Class B and any separate related transactions on a relative fair value basis. Goodwill is not recognized in an asset acquisition and any excess consideration transferred over the fair value of the net assets acquired is allocated to the identifiable assets based on relative fair values.

See “Note 4. Acquisitions” for further information.

Intangible Assets

The Company’s intangible assets are finite-lived and are amortized on a straight-line basis over their estimated useful lives, which are aligned to the economic benefit of the asset.

Leases

The Company adopted ASC Topic 842, Leases ("ASC Topic 842"), as of January 1, 2022. The Company determines if an arrangement is or contains a lease at inception by assessing whether the arrangement conveys the right to control the use of an identified asset. The Company classifies, measures and recognizes a lease liability on the lease commencement date based on the present value of lease payments over the remaining lease term. As of September 30, 2023, the Company's leases were classified as operating leases. The Company uses an estimated incremental borrowing rate based on information available at the lease commencement date in determining the present value of future payments as the rate implicit Class C common stock share in the lease is not generally known. The incremental borrowing rate is based on the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Operating right-of-use assets related to operating lease liabilities equal the amount of the initial measurement of the lease liability adjusted for any initial direct costs, prepaid rent and lease incentives received. Lease Company's earnings.

terms that are used in determining operating lease liabilities at lease inception may include options to extend or terminate the leases and when it is reasonably certain that the Company will exercise such options. Operating lease expense is recorded on a straight-line basis over the lease term. The straight-line expense is allocated within the condensed consolidated statements of operations based on departmental employee headcount. Variable lease costs are recognized as incurred and allocated within the condensed consolidated statements of operations based on departmental employee headcount. The Company has applied practical expedients for lease agreements with lease and non-lease components, and in such cases, accounts for the components as a single lease component. The Company has also elected not to recognize operating right-of-use assets and operating lease liabilities for any lease with an original lease term of less than one year.

Operating lease right-of-use assets are included in non-current assets on the condensed consolidated balance sheets for the entire lease term. The Company includes the portion of the total lease payments, net of implicit interest, that are due in the next 12 months in current liabilities and the remaining portion in non-current liabilities on the condensed consolidated balance sheets. The difference between straight-line lease expense and the cash paid for leases is included as non-cash lease expense in the adjustments to reconcile net loss to net cash provided by operating activities on the condensed consolidated statements of cash flows.

Operating sublease income is recognized on a straight-line basis over the sublease term and is allocated within the condensed consolidated statements of operations based on departmental employee headcount.

See “Note 13. Leases” for further information on impairment losses on leases recorded during the year ended December 31, 2022.

Net (Loss)/Income Per Share

Basic net income/(loss)/income per share is computed by dividing net income/(loss)/income attributable to common stockholders by the weighted-average number of shares of the Company’s Class A, Class B and Class C common stock outstanding.

Diluted net (loss)/income per share is computed by giving effect to all dilutive securities. Diluted net (loss)/income per share is computed by dividing the resulting net (loss)/income attributable to common stockholders by the weighted-average number of fully diluted Class A, Class B and Class C common shares outstanding. The Company used the if-converted method as though the conversion, exchange or vesting, respectively, had occurred as of the beginning of the period or the original date of issuance, if later. During periods when there is a of net loss, attributable to common stockholders, potentially dilutive Class A, Class B and Class C common stock equivalents are excluded from the calculation of diluted net loss per share as their effect is anti-dilutive. If the effect During periods of a conversion of an instrument is neutral to earnings net income, diluted net income per share is computed by dividing net income by the Company considers the security to be dilutive. resulting weighted-average number of fully diluted Class A, Class B and Class C common stock outstanding.

Recently Issued Accounting Pronouncements

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies. See “Note 1. Description of Business” for further information on the Company's status as an emerging growth company.

*Accounting Pronouncements Recently Adopted*Pending Adoption

In October 2021, November 2023, the FASB issued ASU 2021-08, No. 2023-07, *Business Combinations Segment Reporting (Topic 805) 280): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers Improvements to Reportable Segment Disclosures* ("ASC 2021-08" (“ASU 2023-07”). This standard requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, Revenue from Contracts with Customers, as if the acquirer had originated the contracts. improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2021-08 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods in those within fiscal years beginning after December 15, 2022 for nonpublic entities December 15, 2024 on a retrospective basis, with early adoption permitted. The Company adopted this standard as is currently evaluating the timing of January 1, 2023, however, as the Company has not completed any transactions subject to Topic 805 subsequent to the date of adoption, the its adoption of this standard did not have a material and the impact on the Company's in its condensed consolidated financial statements.

In December 2022, 2023, the FASB issued ASU No. 2022-06, 2023-09, *Reference Rate Reform Income Taxes (Topic 848) 740): Improvements to Income Tax Disclosure*: Deferral of the Sunset Date of Topic 848. (“ASU 2023-09”). This standard defers provides transparency to income tax disclosures related to the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. rate reconciliation and income taxes paid information. ASU No. 2022-06 2023-09 is effective upon issuance of this update for all fiscal years beginning after December 15, 2024 for public entities that have contracts, hedging relationships, and other transactions that reference LIBOR on a prospective or another reference rate expected to be discontinued because of reference rate reform. retrospective basis, with early adoption permitted. The Company adopted this standard as is currently evaluating the timing of December 31, 2022. Effective June 30, 2023, the Company replaced LIBOR as the benchmark rate with SOFR. See “Note 10. Debt" for further information. The its adoption of this standard did not have a material and the impact on the Company's in its condensed consolidated financial statements.

SQUARESPACE, INC.
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(in thousands, except share and per share data)
(unaudited)

3. Revenue

The Company primarily derives revenue from annual and monthly subscriptions. Revenue is also derived from non-subscription services, including fixed percentages or fixed-fees earned on revenue share arrangements with third-parties and on sales made through our the Company’s customers’ sites.

The Company has disaggregated revenue from contracts with customers by product type, subscription type, revenue recognition pattern and geography as these categories depict the nature, amount, timing and uncertainty of revenue and how cash flows are affected by economic factors. The Company disaggregates revenue by product type as follows:

Presence

Presence revenue primarily consists of fixed-fee subscriptions to the Company’s plans that offer core platform functionalities, currently branded “Personal” and “Business” plans. Presence revenue also consists of fixed-fee subscriptions related to additional entry points for starting online such as domain managed services and social media. media stories. Additionally, presence revenue is derived from third-party solutions related to email services and access to third-party content to enhance online presence. For customers in need of a larger scale solution, the Company has an enterprise offering, and whereby revenue is recognized over the life of the contract.

Commerce

Commerce revenue primarily consists of fixed-fee subscriptions to the Company’s plans that offer all the features of presence plans as well as additional features that support end to end commerce transactions, currently branded “Basic” and “Advanced” plans. Commerce revenue also includes fixed-fee subscriptions to a number of other tools that support running an online business such as marketing, memberships, courses, scheduling and hospitality tools. Non-subscription revenue is derived from fixed-fees earned on revenue share arrangements with commerce partners as well as fixed transaction fees earned on gross merchandise value payment volume processed through Business plan sites, and certain hospitality offerings. offerings and the Company's native payment processing solution. Commerce revenue also includes payment processing fees received for use of the Company’s hospitality services.

SQUARESPACE, INC.

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Revenue by Product Type, Subscription Type and Revenue Recognition Pattern

The following tables summarize revenue by product type, subscription type, and revenue recognition pattern for the periods presented:

		Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023					
		Presence	Commerce	Total	Presence	Commerce	Total			
	Three Months Ended March 31, 2024									Three Months Ended March 31, 2024
	Presence							Presence	Commerce	Total
Subscription revenue	**Subscription revenue**									
Transferred over time										
Transferred over time										
Transferred over time	Transferred over time	$174,542	$ 59,092	$233,634	$501,457	$ 169,955	$671,412			
Transferred at a point in time	Transferred at a point in time	4,087	—	4,087	12,088	—	12,088			
Non-subscription revenue	**Non-subscription revenue**									
Transferred over time	Transferred over time	760	902	1,662	2,181	2,629	4,810			
Transferred over time										
Transferred over time										
Transferred at a point in time	Transferred at a point in time	62	17,616	17,678	190	53,118	53,308			
Total revenue	Total revenue	$179,451	$ 77,610	$257,061	$515,916	$ 225,702	$741,618			

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Presence	Commerce	Total	Presence	Commerce	Total
Subscription revenue						
Transferred over time	$ 146,055	$ 50,258	$ 196,313	$ 428,434	$ 146,180	$ 574,614

Transferred at a point in time		3,398	—	3,398	10,447	—	10,447
Non-subscription revenue						
Transferred over time	459	890	1,349	1,299	2,641	3,940
Transferred at a point in time	83	16,553	16,636	291	48,868	49,159
Total revenue	$ 149,995	$ 67,701	$ 217,696	$ 440,471	$ 197,689	$ 638,160

SQUARESPACE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	Three Months Ended March 31, 2023		
	Presence	**Commerce**	**Total**
Subscription revenue			
Transferred over time	$ 159,580	$ 54,056	$ 213,636
Transferred at a point in time	4,144	—	4,144
Non-subscription revenue			
Transferred over time	599	895	1,494
Transferred at a point in time	68	17,686	17,754
Total revenue	$ 164,391	$ 72,637	$ 237,028

Revenue by Geography

Revenue by geography is based on the customer's self-reported country identifier or, if not available, the billing address or IP address, and was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
	Three Months Ended March 31,						Three Months Ended March 31,
	2024					2024	2023
United States	United States	$184,198	$157,409	$531,147	$456,583		
International	International	72,863	60,287	210,471	181,577		
Total revenue	Total revenue	$257,061	$217,696	$741,618	$638,160		

Currently no individual country contributes greater than 10% of total international revenue.

Deferred Revenue

The deferred revenue balance as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 represents the Company's aggregate remaining performance obligations that are expected to be recognized as revenue in subsequent periods. Generally, the Company's contracts are for one year or less and the value for contracts with terms greater than one year is not material. The change in deferred revenue primarily reflects cash payments received during the period for which the performance obligation was not satisfied prior to the end of the period partially offset by $49,745 $151,266 and $253,589 $124,130 of revenues recognized during the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $42,213 2023, respectively.

SQUARESPACE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and $220,342 during the three and nine months ended September 30, 2022, respectively. per share data)

(unaudited)

Capitalized Contract Costs

Assets capitalized related to contract costs consisted of the following:

	September 30, 2023	December 31, 2022

(in thousands, except share and per share data)

	March 31, 2024			March 31, 2024	December 31, 2023
Capitalized referral fees, current	Capitalized referral fees, current	$ 7,750	$ 6,368		
Capitalized referral fees, non-current	Capitalized referral fees, non-current	9,941	8,168		
Capitalized app fees, current	Capitalized app fees, current	880	971		
Sales commissions, current	Sales commissions, current	502	479		
Sales commissions, non-current	Sales commissions, non-current	145	159		
Total capitalized contract costs	Total capitalized contract costs	$ 19,218	$ 16,145		

Amortization of capitalized contract costs was $3,039 and $9,328 for the three and nine months ended September 30, 2023, respectively, and $2,624 and $7,860 for the three and nine months ended September 30, 2022, respectively, and was included in marketing and sales the following line items in the condensed consolidated statements of operations. operations:

	Three Months Ended March 31,	
	2024	2023
Cost of revenue	$ 749	$ 861
Marketing and sales	2,593	2,067
Total amortization of capitalized contract costs	$ 3,342	$ 2,928

There were no impairment charges recognized related to capitalized contract costs for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Obligations for Returns, Refunds and Other Similar Obligations

The Company did not have any material change in revenue recognition from a previous period due to refunds, change in transaction price or other consideration variables. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, obligations the Company's obligation for refunds were $494 and $400, respectively, and were included in accrued liabilities in the condensed consolidated balance sheets. was not material.

4. Acquisitions

Google Domains

On June 15, 2023, the Company entered into an asset purchase agreement (the "Google Domains APA") between the Company and Google LLC ("Google") to acquire, among other things, Google's domain assets, including all domain names for which Google is the registrar or reseller (the "Google Domains Asset Acquisition"). The Google Domains Asset Acquisition closed on September 7, 2023 (the "Closing Date") subsequent to certain regulatory approvals and customary closing conditions.

The Company recognized the acquisition as an asset acquisition. The total amount paid for the Google Domains Asset Acquisition was $180,721, including direct transaction costs of $721, which was paid on the Closing Date. The total amount paid included $100,000 in cash funded by additional term loan commitments with the remaining amount paid using cash on hand. See "Note 10. Debt" for further information on the additional term loan commitments funded during the three months ended September 30, 2023. Based on the relative fair values of the assets acquired in the Google Domains APA, $176,721 was allocated to the asset acquired classified as customer relationships and included in intangible assets, net in the

condensed consolidated balance sheet. The identifiable finite-lived intangible asset is expected to be amortized over its useful life which is estimated to be 4 years. The remaining $4,000 of the total amount paid was related to a transaction service agreement (the "Google TSA") between the Company and Google and is included within prepaid expenses and other current assets in the condensed consolidated balance sheet. The Google TSA will be expensed over a period of 8 months with expenses allocated to research and product development expenses and cost of revenue in the condensed consolidated statement of operations based on the nature of the services being provided to the Company.

As of the Closing Date, the Company agreed to reimburse Google for deposits it assumed of $11,719 for domain name registration fees remaining at certain third-party registries. As of September 30, 2023, the Company had $7,537 of these deposits remaining in prepaid expenses and other current assets and $11,719 remaining in accrued liabilities in the condensed consolidated balance sheet.

5. Investment in Marketable Securities

As of September 30, 2023, the Company did not own available-for-sale (“AFS”) marketable securities in the form of corporate bonds and commercial paper, asset backed securities or U.S. treasuries.

The following tables represent table represents the amortized cost, gross unrealized gains and losses and fair market value of the Company’s AFS available-for-sale (“AFS”) marketable securities as of December 31, 2022 March 31, 2024:

		December 31, 2022							
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value				
		March 31, 2024				March 31, 2024			
	Amortized Cost					Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Corporate bonds and commercial paper	Corporate bonds and commercial paper	$ 19,849	$ —	$ (74)	$ 19,775				
Asset backed securities		2,219	1	(12)	2,208				
U.S. treasuries	U.S. treasuries	9,905	—	(131)	9,774				
Total investment in marketable securities	Total investment in marketable securities	$ 31,973	$ 1	$ (217)	$ 31,757				

The Company's gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2022 March 31, 2024, aggregated by investment category and the length of time that individual securities have been in a continuous loss position are were as follows:

		December 31, 2022											
		Less than 12 months		12 months or Greater		Total							
		Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses						
		March 31, 2024						March 31, 2024					
	Less than 12 months							Less than 12 months		12 months or Greater		Total	
	Aggregate Fair Value							Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
Corporate bonds and commercial paper	Corporate bonds and commercial paper	$ 14,768	$ (25)	$ 5,007	$ (49)	$ 19,775	$ (74)						
Asset backed securities		$ 2,208	$ (12)	$ —	$ —	$ 2,208	$ (12)						
U.S. treasuries	U.S. treasuries	$ 3,873	$ (29)	$ 5,901	$ (102)	$ 9,774	$ (131)						
Total investment in marketable securities	Total investment in marketable securities	$ 20,849	$ (66)	$ 10,908	$ (151)	$ 31,757	$ (217)						

The Company did not recognize any recognized unrealized losses related of $27 with respect to its AFS marketable securities during the three months ended September 30, 2023 March 31, 2024. The Company recognized unrealized losses of $216 related to its AFS securities during the nine months ended September 30, 2023, and $35 and $290 during the three and nine months ended September 30, 2022, respectively. The unrealized losses were due to changes in market rates and were determined to be temporary in nature. These The unrealized losses were classified included in accumulated other comprehensive lossin the condensed consolidated balance sheets sheet as of September 30, 2023 and December 31, 2022 March 31, 2024.

The Company reviews AFS marketable securities on a recurring basis to evaluate whether or not any securities have experienced an other-than-temporary decline in fair value. Some factors considered in establishing an expected credit loss

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on AFS marketable securities are the length of time and extent to which the market value has been less than the cost, the financial condition and near-term prospects of the issuer, the Company's intent to sell, and whether it is more likely than not the Company will be required to sell the investment before recovery of the investments amortized cost basis. The Company did not have any AFS marketable securities for which an expected credit loss has been recorded as the Company's AFS marketable securities with an amortized cost basis lower than fair value were not considered other-than-temporary declines in fair value. In the instance that the Company has AFS marketable securities at an amortized cost basis lower than fair value, the Company does not intend to sell, nor is it more-likely-than not the Company would be required to sell the AFS marketable security prior to recovery.

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The contractual maturities of the investments classified as marketable securities were as follows:

		December March 31, 2022 2024
Due within 1 year	$	28,564 20,480
Due in 1 year through 5 years		3,193 26,501
Total investment in marketable securities	$	31,757 46,981

The Company did not own any AFS marketable securities as of December 31, 2023.

6. 5. Fair Value of Financial Instruments

A summary of the Company's investments in marketable securities (including, if applicable, those marketable securities classified as cash and cash equivalents) were as follows:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$154,056	$ —	$ —	$154,056
Total	$154,056	$ —	$ —	$154,056

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds				
Money market funds				
Money market funds				
Corporate bonds and commercial paper				
Available-for-sale debt securities				
Corporate bonds and commercial paper				
Corporate bonds and commercial paper				
Corporate bonds and commercial paper				
U.S. treasuries				
Total				

(in thousands, except share and per share data)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 82,584	$ —	$ —	$ 82,584
Available-for-sale debt securities				
Corporate bonds and commercial paper	—	19,775	—	19,775
Asset backed securities	—	2,208	—	2,208
U.S. treasuries	9,774	—	—	9,774
Total	$ 92,358	$ 21,983	$ —	$ 114,341

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 194,210	$ —	$ —	$ 194,210
Total	$ 194,210	$ —	$ —	$ 194,210

The Company's valuation techniques used to measure the fair value of money market funds and certain AFS marketable securities were derived from quoted prices in active markets for identical assets. The valuation techniques used to measure the fair value of the Company's other debt securities, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the periods presented.

For certain other financial instruments, including accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate the fair value of such instruments due to the relatively short maturity of these balances. The Company records debt obligations at their approximate fair values as they are based upon rates available to the Company for obligations of similar terms and maturities.

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	September 30, 2023	December 31, 2022
Prepaid domain name registration fees	19,468	2,790
Prepaid operational expenses	17,255	11,990
Prepaid referrals, current	7,750	6,368
Prepaid advertising expenses	$ 936	$ 7,045
Prepaid income taxes	—	17,134
Other current assets	11,989	2,999
Total prepaid expenses and other current assets	$ 57,398	$ 48,326

As of September 30, 2023, the Company had $7,537 in deposits for domain name registration fees remaining at certain third-party registries in relation to the Google Domains Asset Acquisition included as other current assets above. See "Note 4. Acquisitions" for further information.

8. 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	March 31, 2024	December 31, 2023
Prepaid income taxes	$ 27,498	$ 3,402
Prepaid domain name registration fees	15,809	12,073
Prepaid operational expenses	11,497	12,183
Capitalized contract costs	8,992	8,872
Prepaid advertising expenses	944	5,804
Other current assets	5,679	6,613

Total prepaid expenses and other current assets	$ 70,419	$ 48,947

As of March 31, 2024 and December 31, 2023, the Company had $2,295 and $3,895, respectively, in deposits for domain name registration fees at certain third-party registries included as other current assets above.

7. Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2023	December 31, 2022
Accrued indirect taxes	38,473	33,486
Accrued marketing expenses	$ 24,111	$ 14,620
Accrued product expenses	17,124	4,524
Accrued income taxes	8,822	—
Accrued payroll expense	4,044	4,985
Other accrued expenses	21,159	6,745
Total accrued liabilities	$ 113,733	$ 64,360

As of September 30, 2023, the Company had a remaining obligation of $11,719 for deposits for domain name registration fees in relation to the Google Domains Asset Acquisition included as other accrued expenses above. See “Note 4. Acquisitions” for further information.

	March 31, 2024	December 31, 2023
Accrued indirect taxes	$ 39,676	$ 38,174
Accrued marketing expenses	29,527	24,998
Accrued product expenses	22,214	22,569
Accrued payroll expenses	6,863	4,247
Other accrued expenses	11,509	9,447
Total accrued liabilities	$ 109,789	$ 99,435

9. Intangible Assets, Net

The following tables summarize the carrying value of the Company’s finite-lived intangible assets:

	Useful Lives (in years)	September 30, 2023		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Technology	3 to 5	$ 17,533	$ (15,308)	$ 2,225
Customer relationships	2 to 5	238,551	(38,128)	200,423
Tradenames	3 to 5	11,496	(8,997)	2,499
Total intangible assets, net		$ 267,580	$ (62,433)	$ 205,147

	Useful Lives (in years)	December 31, 2022		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Technology	3 to 5	$ 17,533	$ (12,386)	$ 5,147
Customer relationships	2 to 5	61,830	(27,416)	34,414
Tradenames	3 to 5	11,496	(8,249)	3,247
Total intangible assets, net		$ 90,859	$ (48,051)	$ 42,808

Technology, customer relationships and tradenames have weighted-average remaining useful lives of 0.6 years, 3.8 years and 2.5 years, respectively. The weighted-average remaining useful life for finite-lived intangible assets was 3.7 years as of September 30, 2023.

Amortization of finite-lived intangible assets was included in the following line items in the condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 985	$ 985	$ 2,922	$ 2,922
Marketing and sales	5,456	2,672	10,712	8,290
General and administrative	252	687	748	2,148
Total amortization of finite-lived intangible assets	$ 6,693	$ 4,344	$ 14,382	$ 13,360

As of September 30, 2023, the expected future amortization expense for finite-lived intangible assets was as follows:

(in thousands, except share and per share data)

Year Ending December 31,		Amount
Remainder of 2023	$	15,044
2024		57,174
2025		55,780
2026		47,009
Thereafter		30,140
Total	$	205,147

10. 8. Debt

Debt outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was as follows:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Term Loan	Term Loan	$ 583,642	$ 516,266		
Less: unamortized original issue discount	Less: unamortized original issue discount	(1,995)	(1,917)		
Less: unamortized deferred financing costs	Less: unamortized deferred financing costs	(956)	(424)		
Less: debt, current	Less: debt, current	(48,977)	(40,758)		
Total debt, non-current	Total debt, non-current	$ 531,714	$ 473,167		

Credit Facility

On December 12, 2019, the Company entered into a credit agreement (the “2019 Credit Agreement”) with certain lending institutions (the “Credit Facility”) which included Initial Term A Loans for $350,000 (the "2019 Term Loan"), and Revolving Credit Loans of up to $25,000 (the "2019 “2019 Revolving Credit Facility”), which included a Letters of Credit sub-facility available up to a total of $15,000.

On December 11, 2020, the Company amended the 2019 Credit Agreement (the “2020 Credit Agreement”) to increase the total size of the 2019 Term Loan to $550,000 (collectively, the “2020 Term Loan”) with the same lending institutions as the Credit Facility and extend the maturity date for the 2020 Term Loan and the 2019 Revolving Credit Facility (as extended, the "Revolving Credit Facility") to December 11, 2025.

On June 15, 2023, the Company amended the 2020 Credit Agreement (as amended, the "Credit Agreement") to increase the total size of the 2020 Term Loan to $650,000 (collectively, the "Term Loan") and, effective June 30, 2023, replace LIBOR as the benchmark rate with SOFR. The proceeds from the additional term loan commitments of $100,000 were funded on the Closing Date and used to partially fund the Google Domains Asset Acquisition, together with cash on hand. See “Note 4. Acquisitions" for further information on the Google Domains Asset Acquisition. The Company considered the additional term loan commitments funded by existing participating lending institutions to be a modification. The term loan commitments funded by new participating lending institutions were considered new debt to the Company. For the borrowings considered as a modification, the Company capitalized $556 of fees paid to the lending institutions as a reduction to the proceeds as a debt discount and expensed the related third-party costs. For the borrowings considered new debt, the Company capitalized $319 of fees paid to the lending institutions and $318 of related third-party costs as deferred financing costs.

Borrowings under the Credit Facility were subject to an interest rate equal to LIBOR plus the applicable margin based on our Consolidated Total Debt to Consolidated EBITDA ratio prior to June 30, 2023. Effective June 30, 2023, under the Credit Agreement, LIBOR as the benchmark rate was replaced with SOFR. The applicable margin was 1.60%, which includes a credit spread adjustment of 0.10%, and 1.50% as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The effective interest rate was 6.92% 6.93% and 4.63% 6.38% as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

As of September 30, 2023 March 31, 2024, $7,255 was outstanding under the Revolving Credit Facility in the form of outstanding letters of credit and $17,745 remained available for borrowing by the Company. The letters of credit issued as of September 30, 2023 March 31, 2024 were related to certain of the Company's operating lease agreements for offices that require security deposits in the form of an irrevocable letter of credit. On September 7, 2022, the letter of credit for the Company's security deposit related to its New York, NY headquarters was reduced by $2,388 due to a scheduled step-down per the lease agreement. The letters of credit issued are subject to a fee equal to the interest rate on the Credit Facility. In addition, the Revolving Credit Facility is subject to an unused commitment fee of 0.20% to 0.25%, depending on the consolidated total debt to consolidated EBITDA ratio as defined by the Credit Agreement, payable quarterly to the lenders in respect of the unutilized commitments.

The Credit Agreement contains certain customary affirmative covenants and events of default. The negative covenants in the Credit Facility include, among other items, limitations on the ability, subject to negotiated exceptions, to incur additional indebtedness or issue additional preferred stock of the Company, to create or issue certain liens on certain assets, to enter into agreements related to mergers and acquisitions, including the sale of certain assets or disposition of assets, or declare, make or pay dividends and distributions. The Credit Agreement contains certain negative covenants for an indebtedness to consolidated EBITDA ratio, as defined by the Credit Agreement, and commencing with December 31, 2020 and all fiscal quarters thereafter through maturity. As commenced during For the fiscal quarter ended December 31, 2020 March 31, 2024, and each fiscal quarter thereafter, the Company is required to maintain an indebtedness to consolidated EBITDA ratio of not more than 4.50, tested as of the last day of each fiscal quarter, with a step-down to 4.25 for the fiscal quarters ending March 31, 2022 and June 30, 2022, a further step-down to 4.00 for the fiscal quarters ending September 30, 2022 and December 31, 2022 and a final step-down to 3.75 for the fiscal quarter ending March 31, 2023 and each fiscal quarter thereafter (the “Financial Covenant”), subject to customary equity cure rights. The Financial Covenant is subject to a 0.50 step-up in the event of a material permitted

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acquisition, which the Company can elect to implement up to two times during the life of the facility. As of September 30, 2023, we have not elected to implement this step-up as a result of any of our acquisitions. If the Company is not in compliance with the covenants under the Credit Agreement or the Company otherwise experiences an event of default, the lenders would be entitled to take various actions, including acceleration of amounts due under the Credit Agreement. As of September 30, 2023 March 31, 2024, the Company was in compliance with all applicable covenants, including the Financial Covenant.

Consolidated EBITDA is defined in the Credit Agreement as net income/(loss) adjusted to exclude interest expense, other income/(loss), net, (provision for)/benefit from/(provision for) from income taxes, depreciation and amortization and stock-based compensation expense. In addition, consolidated EBITDA also allows for other adjustments such as the exclusion of transaction costs, changes in deferred revenue and other costs that may be considered non-recurring.

Scheduled Principal Payments

The scheduled principal payments required under the terms of the Credit Facility are as follows:

Year Ending December 31,	Year Ending December 31,	Amount	Year Ending December 31,	Amount
Remainder of 2023		$ 12,244		
2024		48,977		
Remainder of 2024				
2025	2025	522,421		
Total	Total	$583,642		

11. 9. Income Taxes

For interim periods, the Company generally uses the estimated annual effective tax rate method under which the Company determines its (provision for)/benefit from income taxes based on the current estimate of its annual effective tax rate plus the tax effect of discrete items occurring during the period. The estimated annual effective tax rate is based on forecasted annual results which may fluctuate due to significant changes in the forecasted or actual results and any other transaction that results in differing tax treatment.

For the three and nine months ended September 30, 2022, the Company departed from the estimated annual effective tax rate method March 31, 2024 and computed its provision for income taxes using the discrete effective tax rate method (the "discrete method"), as allowed under ASC Topic 740, Income Taxes - Interim Reporting. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit on that basis.

For the three months ended September 30, 2023 and 2022, 2023, the Company recorded an income tax expense benefit of $41,151 $20,776 and $3,277, $7,940, respectively, which resulted in an effective tax rate of (166.9) (100.7)% and (24.5) (106.7)%, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded an income tax expense of $59,622 and $7,446, respectively, which resulted in an effective tax rate of (126.1)% and 68.9%, respectively.

The Company’s estimated annual effective income tax rate for the three and nine months ended September 30, 2023 March 31, 2024 differed from the statutory rate of 21% primarily due to the change in the valuation allowance for deferred tax assets related primarily to the capitalization of research and development expenditures as required by the

2017 Tax Cuts and Jobs Act, nondeductible stock-based compensation, state and local income taxes, unrecognized tax benefits, and global intangible low-taxed income, partially offset by research and development tax credits, deduction from foreign-derived intangible income, windfall on stock-based compensation, and the effect of foreign operations.

The Company's estimated annual effective income tax rate for the three and nine months ended September 30, 2022 March 31, 2023 differed from the statutory rate of 21% primarily due to the change in the valuation allowance for deferred tax assets related primarily to the capitalization of research and development expenditures as required by the 2017 Tax Cuts and Jobs Act, nondeductible executive compensation, global intangible low-taxed income, unrecognized tax benefits, state and local income taxes, global intangible low-taxes income, and nondeductible expenses, partially offset by research and development tax credits, windfall on stock-based compensation, and deduction from foreign derived intangible income. income, and effect of foreign operations.

The provision for income taxes for As of March 31, 2024, the three and nine months ended September 30, 2023 and 2022 also reflects Company considered a provision significant portion of the Tax Cuts and Jobs Act earnings of 2017 becoming effective as of January 1, 2022 that requires companies foreign subsidiaries to capitalize and amortize research and development expenditures rather than deduct be not permanently reinvested outside the costs as incurred.

No provision for U.S. The incremental deferred federal and state income taxes or foreign withholding taxes have been made on the earnings of foreign subsidiaries because it is expected that such earnings will be reinvested outside the U.S. indefinitely, unless repatriation can be done without material incremental tax expense. The Company continues to assert indefinite reinvestment on outside basis differences in our non-U.S. subsidiaries.

As of September 30, 2023, taxes are not material to the Company had financial statements as those respective earnings have previously been subject to U.S. taxation or will receive a dividend received deduction.

All unrecognized tax benefits have been recorded to other liabilities in the condensed consolidated balance sheets. As of $13,176, March 31, 2024, unrecognized tax benefits approximated $12,452, all of which $13,098 would affect the effective tax rate if recognized. Of the $13,176 As of the March 31, 2023, unrecognized tax benefits as approximated $11,943, all of September 30, 2023, $13,098 was which have been recorded to other liabilities and the remaining balance was recorded as a reduction in the gross deferred tax assets, offset by a corresponding reduction in the valuation allowance. As of September 30, 2022, the Company had unrecognized tax benefits of $10,256, all of which $1,100 would not affect the effective tax rate if recognized due to the Company's full valuation against all federal, state and foreign deferred tax assets that the Company believes will not be realizable on a more-likely-than-not basis. The increase was primarily due to tax positions taken during the current and prior periods. recognized. The Company is unable to reasonably estimate the timing of long-term payments or the amount by which the liability will increase or decrease. The Company believes does not believe that its unrecognized tax benefits as of September 30, 2023 March 31, 2024 will significantly increase or decrease by approximately $1,161 within the next twelve months due to expiring statutes of limitation. months. The Company's policy is to classify accrued include interest and penalties related to unrecognized tax benefits in within the Company's (provision for)/benefit from income taxes in the condensed consolidated statements of operations. As of September 30, 2023, accrued taxes. Accrued interest and penalties were $746 $1,196 and there were no accrued interest $249 for the three months ended March 31, 2024 and penalties as of September 30, 2022. 2023, respectively.

The Company's corporate federal income tax returns for the years ended December 31, 2012 December 31, 2020 through December 31, 2022 December 31, 2023 remain subject to examination by the Internal Revenue Service. The Company's corporate income tax returns for the years ended December 31, 2017 December 31, 2020 through December 31, 2022 December 31, 2023 remain subject to examination by taxing authorities in various U.S. states and Ireland. foreign jurisdictions. In addition, in the U.S., any net operating losses or credits that were generated in prior years but utilized in open years may also be subject to examination.

On August 16, 2022, President Biden signed In December 2021, the Inflation Reduction Act OECD proposed the Pillar Two framework as part of 2022 (the "Inflation Reduction Act") into law. The Inflation Reduction Act contains certain the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project which makes changes to existing tax measures, laws, including a corporate alternative 15% global minimum tax ("BEPS Pillar Two"). Several countries have enacted tax legislation with proposals from the BEPS Pillar Two framework, with an effective date starting in 2024. While we continue to monitor further legislation and guidance in the non-US jurisdictions in which we operate, we have evaluated the impact of 15% on some large corporations the published legislation and a nondeductible 1% excise tax on the net value of certain share repurchases made after December 31, 2022 by covered corporations. The Company recorded $277 related although not material to the excise tax on share repurchases in additional paid in capital in the condensed consolidated balance sheet as of September 30, 2023 financial statements, we have included the impacts in the estimated annual effective tax rate for the three months ended March 31, 2024.

On December 15, 2022, the Ireland Finance Act 2022 was signed into Irish law. With the enactment of the Ireland Finance Act 2022, qualifying Ireland-related research and development tax credits do not depend on the generation of future taxable income. As a result, the Company determined these credits to be a credit to research and development expenses in the form of a government grant as analogized under International Accounting Standards 20, *Accounting for Government Grants and Disclosure of Government Assistance*. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized Ireland-related research and development tax credits of $(219) $176 and $395, respectively, $276 as an (increase)/ a reduction to research and product development in the condensed consolidated statements of operations.

12. 10. Commitments and Contingencies

Indirect Taxes

The Company is subject to indirect taxation in some, but not all, of the various U.S. states and foreign jurisdictions in which it conducts business. Therefore, the Company has an obligation to charge, collect and remit Value Added Tax ("VAT") or Goods and Services Tax ("GST") in connection with certain foreign sales transactions and sales and use tax in connection with eligible sales to subscribers in certain U.S. states. On June 21, 2018, the U.S. Supreme Court overturned the physical presence nexus standard and held that states can require remote sellers to collect sales and use tax. In addition, U.S. states and foreign jurisdictions have and continue to enact laws which expand tax collection and remittance obligations that could apply to a platform like the Company's. This also includes the requirement for e-commerce platforms to collect and remit taxes on certain sales through a marketplace. As a result of these rulings, recently enacted laws, and the scope of the Company's operations, taxing authorities continue to provide regulations that increase the complexity and risks to comply with such laws and could result in substantial liabilities, prospectively as well as retrospectively. In accordance with ASC 450, the Company establishes accruals for contingencies, including uncertainties related to taxes not based on income, when the Company believes it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Based on the information available, the Company continues to evaluate and assess the jurisdictions in which indirect tax nexus exists and believes that the indirect tax liabilities are adequate and reasonable. However, due to the complexity and uncertainty around the application of these rules by taxing authorities, results may vary materially from the Company's expectations. The Company had an indirect tax liability of $38,473 $39,676 and $33,486 $38,174, including indirect tax contingencies of $30,493 and $29,836, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which is included in accrued liabilities in the condensed consolidated balance sheets.

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Purchase Obligations – Cloud-Computing Services and Software-as-a-Service Service Agreements

As of September 30, 2023 March 31, 2024, the Company had outstanding non-cancelable purchase obligations minimum commitments with a term terms in excess of 12 months or longer, mainly one year related to service agreements, including services for third-party cloud-computing as well as software-as-a-service and payment processing services, as follows:

Year Ending December 31,		Amount
Remainder of 2023	$	3,008
2024		15,500
2025		18,000
Total	$	36,508

Year Ending December 31,		Amount
Remainder of 2024	$	15,454
2025		24,658
2026		28,567
2027		29,467
2028		4,508
Total	$	102,654

Certain Risks and Concentrations

The Company's revenues were principally generated from SaaS software as a service customers establishing their online presence. The market is highly competitive and rapidly changing. Significant changes in this industry, technological advances or changes in customer buying behavior could adversely affect the Company's future operating results. results of operations.

Other

The Company is subject to litigation and other claims that arise in the ordinary course of business. While the ultimate result of outstanding legal matters cannot presently be determined, the Company does not expect that the ultimate disposition will have a material adverse effect on its results of operations or financial condition. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. Based on the Company's current knowledge, the final outcome of any particular legal matter will not have a material adverse effect on the Company's financial condition.

13. 11. Leases

The Company has operating leases for its office space with lease terms through 2034. Certain lease agreements include options to extend and/or terminate the lease. The Company's lease agreements do not contain terms and conditions of material restrictions, covenants or residual value guarantees. Variable lease costs are comprised primarily of the Company's proportionate share of operating expenses and property taxes.

On March 10, 2022, the Company entered into an agreement to sublease a portion of one of its office spaces in Chicago, IL through the existing termination date of May 30, 2023. The Company recorded sublease income related to the Chicago, IL office space sublease of $152 during the nine months ended September 30, 2023, and $75 and $200 during the three and nine months ended September 30, 2022, respectively.

On March 31, 2022, the Company reassessed the useful life of its operating lease right-of-use asset related to its leased office space in Los Angeles, CA due to ceasing the use of the office space with no expected future benefit. As a result, the Company recorded an additional $258 components of operating lease expense, in the condensed consolidated statement of operations during the nine months ended September 30, 2022.

During the three months ended September 30, 2022, the Company remeasured the lease liability and adjusted the right-of-use asset related to its leased office space in Portland, OR due to a reassessment of the lease term. As a result, the associated operating lease liability and operating lease right-of-use asset were reduced by $3,213 in the condensed consolidated balance sheet as of September 30, 2022. Subsequent to the remeasurement, the Company determined the carrying value of the right-of-use asset was not recoverable based on undiscounted future cash flows. The Company used the income approach to determine the fair value of the right-of-use asset, including Level 3 inputs of the fair market value hierarchy, based on projected sublease income over the remaining lease term discounted at a rate that reflects the risks associated with the future cash flows. As a result, the Company recorded an impairment loss of $1,694 in general and administrative expenses net recognized in the condensed consolidated statements of operations during the three and nine months ended September 30, 2022. were as follows:

	Three Months Ended March 31,			
	2024		2023	
Operating lease costs				
Operating lease costs	$	3,338	$	3,455
Variable lease costs		872		764

(in thousands, except share and per share data)

Short-term lease costs	53	75
Operating lease income		
Sublease income	$ 67	$ 182
Total operating lease expense, net	$ 4,196	$ 4,112

As of March 31, 2024, maturities of operating lease liabilities were as follows:

Year Ending December 31,	Amount
Remainder of 2024	$ 12,387
2025	16,877
2026	17,600
2027	17,062
2028	17,277
Thereafter	41,178
Total operating lease payments	122,381
Less: imputed interest	(15,245)
Total operating lease liabilities	$ 107,136

The components of operating lease expense, net recognized in the condensed consolidated statements of operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease costs				
Operating lease costs	$ 3,343	$ 5,231	$ 10,215	$ 12,655
Variable lease costs	668	533	2,282	1,402
Short-term lease costs	63	42	205	90
Operating lease income				
Sublease income	$ 67	$ 161	$ 378	$ 471
Total operating lease expense, net	$ 4,007	$ 5,645	$ 12,324	$ 13,676

Supplemental disclosure of cash and non-cash operating activities related to operating leases were as follows:

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities, net of cash received for lease incentives	$ 11,793	$ 10,328
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ —	$ 255

As of September 30, 2023, the weighted-average lease term and discount rate related to operating leases were as follows:

	September 30, 2023
Weighted-average remaining lease term (in years)	7.56
Weighted-average discount rate use in measuring operating lease liabilities	3.75 %

As of September 30, 2023, maturities of operating lease liabilities were as follows:

Year Ending December 31,	Amount
Remainder of 2023	$ 4,018
2024	16,463
2025	16,849
2026	17,573
2027	17,036
Thereafter	58,404
Total operating lease payments	130,343

(in thousands, except for the share repurchases were $33.33 and per share data)

Less: imputed interest		(17,281)
Total operating lease liabilities	$	113,062

14. 12. Stockholders' Deficit

Class A Common Stock

Each holder of shares of Class A common stock shall be entitled to one vote for each share held. As of September 30, 2023 March 31, 2024, the number of authorized shares of Class A common stock, par value $0.0001 per share, by the Company was 1,000,000,000.

On May 10, 2022, the board of directors authorized a general share repurchase program of the Company's Class A common stock of up to $200,000, $200,000. On February 26, 2024, the board of directors authorized a new general share repurchase program of the Company's Class A common stock of up to $500,000 with no fixed expiration (the "Stock Repurchase Plan"). to replace the previous repurchase plan. These Class A common stock repurchases may occur in the open market, through privately negotiated transactions, through block purchases, other purchase techniques including the establishment of one or more plans under Rule 10b5-1 of the Securities Exchange Act of 1934 or by any combination of such methods. The timing and actual amount of shares repurchased will depend on a variety of different factors and may be modified, suspended or terminated at any time at the discretion of the board of directors.

During the three months ended September 30, 2023, March 31, 2024 and 2023, the Company did not repurchase shares under the Stock Repurchase Plan. During the nine months ended September 30, 2023, the Company repurchased 320,793 and 1,256,170 shares and paid cash of $25,321, $12,164 and$25,321, including commissions of $25, $7 and$25, respectively, under the Stock Repurchase Plan through open market purchases at a purchases. The weighted-average price prices per share of $22.04.

During $22.04 during the three and nine months ended September 30, 2022, the Company repurchased 2,431,995 March 31, 2024 and 3,994,455 shares for a total cash consideration of $50,378 and $85,580, including commissions of $49 and $80, under the Stock Repurchase Plan through open market purchases at a weighted-average price per share of $21.84 and $21.40, 2023, respectively.

As of September 30, 2023 March 31, 2024, approximately $54,486 $487,836 remained available for stock repurchase pursuant to the Stock Repurchase Plan.

Class B Common Stock

Each holder of shares of Class B common stock shall be entitled to ten votes for each share held.

Each outstanding share of the Company's Class B common stock is convertible into one share of Class A common stock at any time. As of September 30, 2023 March 31, 2024, the number of authorized shares of Class B common stock, par value $0.0001 per share, by the Company was 100,000,000.

Class C Common Stock

The Company's Class C common stock has no voting rights and is not convertible into shares of Class A common stock or Class B common stock.

As of September 30, 2023 March 31, 2024, the number of authorized shares of Class C common stock, par value $0.0001 per share, by the Company was 1,000,000,000. The board of directors has the authority, without stockholder approval except as required by the NYSE, to issue shares of the Company's Class C common stock. The Company's Class C common stock is not convertible into shares of Class A common stock or Class B common stock and has no voting rights. As of September 30, 2023, the Company has not issued any shares of its Class C common stock.

Dividends

The Company shall not declare or pay dividends on Class A common stock, Class B common stock or Class C common stock unless the same dividend or distribution with the same record date and payment dated shall be declared or paid on all shares of Class A, Class B and Class C common stock.

During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company did not declare or pay any dividends.

15. 13. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss activity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows:

	Foreign Currency Translation Adjustments	Net Unrealized (Losses)/Gains on Marketable Securities	Total Accumulated Other Comprehensive (Loss)/Income
Balance at December 31, 2022	$ (1,449)	$ (216)	$ (1,665)
Other comprehensive income before reclassifications	258	216	474
Other comprehensive income	258	216	474
Balance at March 31, 2023	$ (1,191)	$ —	$ (1,191)
Other comprehensive loss before reclassifications	$ (296)	$ —	$ (296)
Other comprehensive loss	(296)	—	(296)
Balance at June 30, 2023	$ (1,487)	$ —	$ (1,487)
Other comprehensive loss before reclassifications	$ (2,144)	$ —	$ (2,144)
Other comprehensive loss	(2,144)	—	(2,144)

Balance at September 30, 2023	$ (3,631)	$ —	$ (3,631)

	Foreign Currency Translation Adjustments	Net Unrealized Losses on Marketable Securities	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2023	$ (843)	$ —	$ (843)
Other comprehensive income/(loss) before reclassifications	44	(27)	17
Other comprehensive income/(loss)	$ 44	$ (27)	$ 17
Balance at March 31, 2024	$ (799)	$ (27)	$ (826)

SQUARESPACE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

	Foreign Currency Translation Adjustments	Net Unrealized Losses on Marketable Securities	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2021	$ (170)	$ (38)	$ (208)
Other comprehensive loss before reclassifications	(801)	(178)	(979)
Other comprehensive loss	(801)	(178)	(979)
Balance at March 31, 2022	$ (971)	$ (216)	$ (1,187)
Other comprehensive loss before reclassifications	$ (2,037)	$ (77)	$ (2,114)
Other comprehensive loss	(2,037)	(77)	(2,114)
Balance at June 30, 2022	$ (3,008)	$ (293)	$ (3,301)
Other comprehensive loss before reclassifications	$ (2,275)	$ (35)	$ (2,310)
Other comprehensive loss	(2,275)	(35)	(2,310)
Balance at September 30, 2022	$ (5,283)	$ (328)	$ (5,611)

	Foreign Currency Translation Adjustments	Net Unrealized (Losses)/Gains on Marketable Securities	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2022	$ (1,449)	$ (216)	$ (1,665)
Other comprehensive income before reclassifications	258	216	474
Other comprehensive income	258	216	474
Balance at March 31, 2023	$ (1,191)	$ —	$ (1,191)

Amounts reclassified out of accumulated other comprehensive loss, net of taxes, during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were not material.

16. 14. Stock-based Compensation

Stock Options

Squarespace, Inc. Amended and Restated 2008 Equity Incentive Plan

In January 2008, the Company established and approved the Squarespace, Inc. 2008 Equity Incentive Plan which was ratified in 2010 and was subsequently amended and restated in March 2016 (“the 2008 (the “2008 Plan”). Under the 2008 Plan, which covers certain employees and consultants, the Company granted shares of its Class B common stock in the form of stock options. After November 17, 2017, there were no additional grants from the 2008 Plan.

Stock options in common A summary of the Company’s stock exercised were 19,564 and 54,249 option activity for the 2008 Plan during the three and nine months ended September 30, 2023, respectively, and 29,797 and 642,548 during the three and nine months ended September 30, 2022, respectively. Cash consideration for stock options exercised was $57 and $191 during the three and nine months ended September 30, 2023, respectively, and $48 and $2,158 during the three and nine months ended September 30, 2022, respectively. March 31, 2024 is as follows:

	Number of Options	Weighted-Average Exercise Price
As of December 31, 2023	1,117,616	$ 2.56

(in thousands, except share and per share data)

Exercised	(420,214)		2.00
As of March 31, 2024	697,402	$	2.89
Vested at March 31, 2024	697,402	$	2.89
Exercisable at March 31, 2024	697,402	$	2.89

Restricted Stock Units (RSUs) ("RSUs") and Performance Stock Units (PSUs) ("PSUs")

Squarespace, Inc. 2017 Equity Incentive Plan

On November 17, 2017, the Company's board of directors approved the Squarespace, Inc. 2017 Equity Incentive Plan ("the 2017 (the "2017 Plan"). Under the 2017 Plan, the Company may grant shares of its Class A common stock in the form of RSUs, PSUs, stock options, stock appreciation rights and other stock awards. RSUs are subject to continuous service, generally vest over four years and are measured based on the fair market value of the underlying Class A common stock on the date of grant, as determined by the Company's board of directors. There were 232,212 and 839,044 shares that vested under the 2017 Plan of which 96,422 and 353,009 shares were reacquired in order to satisfy employee tax obligations during the three and nine months ended September 30, 2023, respectively, and 211,261 and 1,624,883 shares that vested under the 2017 Plan of which 85,992 and 697,527 shares were reacquired in order to satisfy employee tax obligations during the three and nine months ended September 30, 2022, respectively. grant. After April 15, 2021, no additional grants were issued from the 2017 Plan.

Squarespace, Inc. 2021 Equity Incentive Plan

On March 25, 2021, the Company's board of directors adopted the Squarespace, Inc. 2021 Equity Incentive Plan ("the 2021 (the "2021 Plan") which was approved by the stockholders on May 3, 2021 and went into effect on May 9, 2021. Under the 2021 Plan, the Company may grant shares of its Class A common stock in the form of RSUs, PSUs, stock options, stock appreciation rights and other stock awards.

The Company granted 495,466 RSUs and 5,799,474shares of Class A common stock in the form of RSUs under the 2021 Plan during the three and nine months ended September 30, 2023, respectively, and 659,452 and 5,851,643 shares of Class A common stock in the form of RSUs under the 2021 Plan during the three and nine months ended September 30, 2022, respectively. RSUs are subject to continuous service and generally vest over four years and PSUs are measured based on the closing price of the Company's Class A common stock as reported on the date of grant. During RSUs are subject to continuous service and generally vest over four years. PSUs are subject to continuous service and generally vest over three years based on the three achievement of certain performance targets over a one-year performance cycle. The percentage of PSUs that will vest can range from 0% to 200% of the target number of shares granted based on the performance targets that are achieved. The Company begins recognizing stock-based compensation costs when the achievement of a performance target becomes probable. Quarterly, the Company reassesses the probability of each possible outcome and, nine months ended September 30, 2023, there were 409,950 and 1,801,142 shares that vested under if applicable, recognizes a cumulative adjustment for any changes to the 2021 Plan previously determined expectation using the grant date fair value of the PSU award. The Company recognizes stock-based compensation expense for PSUs ratably, net of forfeitures, over the requisite service period, which 164,704 andis the vesting period.

715,523 shares were reacquired in order to satisfy employee tax obligations, respectively. During the three and nine months ended September 30, 2022, there were 26,585 and 120,246 shares that vested under the 2021 Plan of which 11,354 and 37,430 shares were reacquired in order to satisfy employee tax obligations, respectively.

During the three and nine months ended September 30, 2023 March 31, 2024, the Company granted 45,150 and 193,381 349,417 shares of Class A common stock in the form of PSUs under the 2021 Plan, respectively. Plan. Additionally, the granted activity below includes 111,738 PSUs will generally vest over 3 years and are subject to continuous service and awarded for the achievement of certain unlevered free cash flow margin and revenue growth targets. The percentage performance targets as of PSUs that will vest can range from 0% to 200% based on December 31, 2023 which were approved by the growth targets that are achieved. PSUs are measured based on Company's board of directors during the closing price three months ended March 31, 2024.

A summary of the Company's Class A common stock Company's RSU and PSU activity during the three months ended March 31, 2024, is as reported on the date of grant. The related stock-based compensation expenses are recorded over follows:

	Number of Share Units	Weighted Average Grant Date Fair Value Per Share Unit
Outstanding – December 31, 2023	10,025,607	$28.31
Granted	4,562,457	32.10
Vested	(1,808,975)	28.77
Forfeited	(398,583)	29.86
Outstanding – March 31, 2024	12,380,506	$29.59

In connection with the vesting period or requisite service period if of shares, the performance conditions are probable Company reacquired 769,189 shares for $24,022 during the three months ended March 31, 2024 in order to satisfy employee tax withholding obligations. The employees received the net number of being met and included in shares after consideration to those reacquired. The reacquired shares subsequently became available again for issuance under the condensed consolidated statements of operations. Plan.

Casalena Performance Award

On April 15, 2021 ("Grant Date"), the board of directors of the Company approved an RSU grant to Anthony Casalena, CEO, of 2,750,000 Class A common shares ("Casalena (the "Casalena Performance Award"). The Casalena Performance Award vesting is contingent on both service- and market-based vesting conditions. The Company estimated the fair value of the Casalena Performance Award using a Monte Carlo simulation with a weighted-average grant date fair value of $30.38 per Class A common share. The Company will recognize the fair value of the award as stock-based compensation expense using the accelerated attribution method over the longer of (i) the period of time the market condition for each tranche is expected to be met (i.e., the derived service period) or (ii) the service vesting condition of four years. The During the three months ended March 31, 2024 and 2023, the Company recorded compensation expense of $4,923 $1,776 and $14,607 during the three and nine months ended September 30, 2023, respectively, and $7,816 and $23,193 during the three and nine months ended September 30, 2022, $4,816, respectively, related to the Casalena Performance Award in general and administrative expenses in the condensed consolidated statements of operations.

(in thousands, except share and per share data)

Stock-based Compensation

The classification of stock-based compensation by line item in the condensed consolidated statements of operations was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
	Three Months Ended March 31,						Three Months Ended March 31,
	2024					2024	2023
Cost of revenue	Cost of revenue	$ 1,484	$ 1,000	$ 4,085	$ 2,470		
Research and product development	Research and product development	14,601	9,462	40,938	31,138		
Marketing and sales	Marketing and sales	3,019	2,252	7,935	6,246		
General and administrative	General and administrative	9,213	11,380	26,964	35,197		
Total stock-based compensation	Total stock-based compensation	$ 28,317	$ 24,094	$ 79,922	$ 75,051		

The amount above excludes $1,490 $812 and $3,127 $469 of stock stock-based compensation capitalized as property and equipment, net, for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $478 and $737 for the three and nine months ended September 30, 2022, 2023, respectively.

During the nine months ended September 30, 2022, certain RSUs were modified to allow for accelerated vesting. During the three and nine months ended September 30, 2022, the Company recorded stock-based compensation expense of $1,923 and $4,098, respectively, related to the modified awards.

17. 15. Related Party Transactions

The Company's previous Chief Financial Officer, whose resignation was effective as of July 31, 2022, was appointed as a member of the board of directors of Avalara, Inc. on August 28, 2021. Transactions between Avalara, Inc. and the Company were not material through the previous Chief Financial Officer's departure.

Certain former members of Tock's senior management, whose resignations were effective as of December 15, 2022, had an ownership in several of the Company's restaurant customers. For the three and nine months ended September 30, 2022, these restaurant customers contributed revenue of $330 and $895, respectively. As of September 30, 2022, the Company had a liability of $3,373 due to these restaurant customers, which primarily represents diner prepayments and sales tax, and is included in funds due to customers in the condensed consolidated balance sheets.

On September 1, 2014, the Company entered into an agreement with Getty Images to resell certain content to the Company's customers. The Deputy Chairman of Getty Images is a A member of the Company's board of directors. directors is a Co-Founder and board member of Getty Images. Amounts recorded in connection with this agreement were not material for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

18. 16. Net (Loss)/Income per Share

The Company computes net (loss)/income per share under the two-class method required for multiple classes of common stock. The rights, including the liquidation and dividend rights, of the Class A common stock, Class B common stock and Class C common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock, Class B common stock and Class C common stock share in the Company's net (loss)/income.

The following table sets forth the computation of basic and diluted net (loss)/income per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net (loss)/income	$ (16,499)	$ 10,105	$ (12,337)	$ (18,259)

Denominator:				
Weighted-average shares used in computing net (loss)/income per share, basic	135,736,599	137,832,634	135,321,873	139,106,807
Effect of dilutive securities	—	1,835,085	—	—
Weighted-average shares used in computing net (loss)/income per share, dilutive	135,736,599	139,667,719	135,321,873	139,106,807
Net (loss)/income per share, basic and dilutive	$ (0.12)	$ 0.07	$ (0.09)	$ (0.13)

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income	$ 144	$ 502
Denominator:		
Weighted-average shares used in computing net income per share, basic	136,936,860	134,917,610
Effect of dilutive securities	3,510,519	2,264,658
Weighted-average shares used in computing net income per share, diluted	140,447,379	137,182,268
Net income per share, basic and diluted	$ 0.00	$ 0.00

The following weighted-average outstanding shares of potentially dilutive securities were excluded from the computation of diluted net (loss)/income per share for the periods presented because including them would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Outstanding stock options	1,127,278	—	1,127,278	1,214,344
Restricted stock units	10,629,421	5,372,992	10,629,421	7,986,596
Total	11,756,699	5,372,992	11,756,699	9,200,940

	Three Months Ended March 31,	
	2024	2023
Stock options	—	—
RSUs and PSUs	321,926	2,134,308
Total	321,926	2,134,308

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 together with our unaudited condensed consolidated financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2022 December 31, 2023 included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 9, 2023 February 28, 2024. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual business, financial condition and results of operations could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly under "Part II. Other Information, Item 1A. Risk Factors." Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Squarespace enables anyone to stand out and succeed online, providing customers in over 200 countries and territories with the tools they need for an online presence with best-in-class design and a consistent brand across domains, websites, marketing and social media. Our commerce solutions include tools for selling digital content, classes, appointments, reservations, physical goods and more.

We primarily derive revenue from monthly annual and annual monthly subscriptions to our presence and commerce solutions. Subscription revenue accounted for 92.5% 92.9% and 92.2% 91.9% of our total revenue for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and 91.7% of our total revenue for the three and nine months ended September 30, 2022. 2023, respectively. Payments for our subscription plans are generally collected at the beginning of the subscription period and we generally recognize the associated revenue ratably over the term of the customer contract. Non-subscription revenue primarily consists of commerce transaction fees received through revenue sharing arrangements with payment processors that handle our customers' commerce transactions, payment processing fees received in exchange for use of our hospitality services as well as revenue we generate from third-party services we offer that provide additional functionality to our customers.

We generated revenue of $257.1 $281.1 million and $237.0 million and $741.6 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and net loss of $16.5 million and $12.3 million for the three and nine months ended September 30, 2023, respectively. We generated revenue of $217.7 million and $638.2 million for the three and nine months ended September 30, 2022, 2023, respectively, and net income of $10.1 million $0.1 million and net loss of $18.3 million $0.5 million for the three and nine months ended September 30, 2022, March 31, 2024 and 2023, respectively. We believe our business model is driven by stable retention of our existing customers as well as the acquisition of new customers, including additional offerings and add-on subscriptions which allow our customers to grow and scale with our platform as their needs evolve. No individual unique subscription accounted for more than 1% of our total bookings for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

On September 7, 2023, we closed an asset purchase agreement with Google LLC ("Google") to acquire, among other things, Google's domain assets, including all domain names for which Google is the registrar or reseller, for a total amount paid of $180.7 million (the "Google Domains Asset Acquisition ") Acquisition"). See "Part I. Financial Information, Item 1. Financial Statements (Unaudited), Note 4. Acquisitions" for further information. Unique subscriptions and average revenue per unique subscription ("ARPUS") do not account for single domain subscriptions originally sold by Google as a part of the Google Domains Asset Acquisition (collectively, the "Acquired Domain Assets").

Key Factors Affecting Our Performance

Acquisition Retention of existing and acquisition of new and retention of existing unique subscriptions

Acquiring Retaining and retaining acquiring unique subscriptions to our platform is the primary driver of our revenue growth. The number of unique subscriptions on our platform, excluding the Acquired Domain Assets, was 4.4 million unique subscriptions 4.9 million as of September 30, 2023 March 31, 2024, representing an increase of 5.4% relative to September 30, 2022. 15.2% from the same period in 2023. In order to support the acquisition of new unique subscriptions, we intend to continue to invest in our direct response marketing efforts and expand internationally. We view this spending as a long-term investment in our business to attract new unique subscriptions.

We believe that our easy-to-customize and design-first solutions drive consistent cash retention in our subscription base. Our historical cash retention rate is the percentage of revenue share and subscription bookings received in the current period from website and domain subscriptions in existence during the same period in the prior year. In calculating cash retention, revenue share from contractual arrangements is allocated to the relevant subscription base based on the gross payment volume ("GPV") processed on the platform. Our historical cash retention rate for the years ended December 31, 2023, 2022 and 2021 was 88.2%, 84.1%, and 84.4%, respectively. We also look at cash retention of only our website and domain subscriptions, excluding revenue share, in order to better isolate and understand the underlying retention trends of our subscription customers. Our cash retention rate excluding revenue share is calculated as the percentage of subscription bookings received in the current period from website and domain subscriptions in existence during the same period in the prior year. Our cash retention rate, excluding revenue share, for the years ended December 31, 2023, 2022 and 2021 was 88.1%, 84.3%, and 84.1%, respectively.

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The above chart represents cumulative cash from each website and domain subscription cohort for website subscription bookings and allocated revenue share from contractual arrangements. These website and domain subscription cohorts are defined by the first payment date associated with the website subscription or stand-alone domain purchase. Revenue share from contractual arrangements is allocated based on GPV for that period. For example, if the Q1 2021 cohort accounted for 3% of total GPV in Q1 2022, then 3% of the Q1 2022 revenue share from contractual arrangements is allocated to the Q1 2021 cohort in that period.

Expansion of our commerce offerings

We believe that our commerce offerings significantly expand our addressable market. Our comprehensive commerce offerings enable our customers to sell anything online, attracting a differentiated set of commerce-oriented brands to our platform.

We continue to invest in and innovate our commerce offerings to enable customers to build the most impactful online stores, deepen our functionality and establish leadership in commerce services. expand functionality. Our commerce revenue was $77.6 million and $225.7 million $80.3 million for the three and nine months ended September 30, 2023 March 31, 2024, representing 14.6% and 14.2% growth an increase of 10.5% from the same period in 2022, respectively. 2023.

GPV represents the total dollar value of orders processed through our platform in the period, net of refunds and fraudulent orders. Our platform processed approximately $1,649.5 million of GPV during the three months ended March 31, 2024, representing an increase of 7.5% from the same period in 2023.

Investments in product innovation

We rely on hiring and retaining a talented product development workforce. The success of our customers relies on the innovation tied to this workforce and our ability to remain agile to address customer needs. Our research and product development expenses were $60.5 million and $180.5 million $66.8 million for the three and nine months ended September 30, 2023 March 31, 2024, representing 11.4% and 5.9% growth over 2022, respectively. an increase of 14.1% from the same period in 2023.

Foreign currency fluctuations

As of September 30, 2023 March 31, 2024, we had customers in over 200 countries and territories and our international customers represented approximately 30% of our total bookings. As foreign currency exchange rates change, translation of the statements of operations of our international businesses into U.S. dollars may affect year-over-year comparability of our operating results. results of operations.

Key Components of Results of Operations

Revenue

We primarily derive revenue from annual and monthly subscriptions. Typically, annual and monthly subscriptions represent 75% and 25% of total subscriptions, respectively. Revenue is also derived from non-subscription services, including fixed percentages or fixed-fees earned on revenue share arrangements with third-parties and on sales made

through our customers' sites. In addition, we earn fixed-fees on sales through certain hospitality offerings and payment processing fees in exchange for use of our hospitality services. Payments received for subscriptions in advance of fulfillment of our performance obligations are recorded as deferred revenue. Subscription plans automatically renew unless advance notice is provided to us. We primarily recognize subscription revenue ratably on a straight-line basis, net of a reserve for refunds. Transaction fee revenue, payment processing revenue and revenue generated from third-parties is recognized at a point in time, when the sale has been completed.

We disaggregate our revenue by product type in accordance with the following definitions:

Presence revenue

Presence revenue primarily consists of fixed-fee subscriptions to our plans that offer core platform functionalities, currently branded "Personal" and "Business" plans in our offerings. Presence revenue also consists of fixed-fee subscriptions related to additional entry points for starting online such as domain managed services and social media. services. Additionally, presence revenue is derived from third-party solutions related to email services and access to third-party content to enhance online presence. For customers in need of a larger scale solution, we have an enterprise offering where revenue is recognized over the life of the contract.

Commerce revenue

Commerce revenue primarily consists of fixed-fee subscriptions to our plans that offer all the features of presence plans as well as additional features that support end to end commerce transactions, currently branded "Basic" and "Advanced" in our plan offerings. Commerce revenue also includes fixed-fee subscriptions to a number of other tools that support running an online business such as marketing, memberships, courses, scheduling and hospitality tools. Non-subscription revenue is derived from fixed-fees earned on revenue share arrangements with commerce partners as well as fixed transaction fees earned on gross merchandise value ("GMV") GPV processed through our native payment processing solution, Business plan sites and certain hospitality offerings. Commerce revenue also includes payment processing fees received in exchange for use of our hospitality services.

Cost of revenue

Cost of revenue primarily consists primarily of domain name registration fees, customer support employee related expenses, credit card and payment processing fees, domain registration fees, and web hosting costs. Cost costs, amortization of revenue also includes customer support, employee-related expenses, amortization acquisition-related intangible assets associated with acquired technology and depreciation, and capitalized software development costs, as well as allocated shared costs. Employee-related expenses consist of salaries, taxes, benefits and stock-based compensation. We expect that cost of revenue may fluctuate as a percentage of total revenue from period to period based on the subscriptions purchased and non-subscription transactions during that particular period.

Operating expenses:

Research and product development

Research and product development expenses are primarily employee-related expenses, costs associated with continuously developing new solutions and enhancing and maintaining our technology platform as well as allocated shared costs. These costs are expensed as incurred. Employee-related expenses consist of salaries, taxes, benefits and stock-based compensation. In addition, we We capitalize employee-related expenses relating to software development costs incurred in

connection with adding functionality to our platform, as well as internal-use projects during the application development stage. These capitalized software development costs are deferred and amortized ratably over three years.

Marketing and sales

Marketing and sales expenses include costs related to advertisements used to drive customer acquisition, employee-related expenses, amortization of acquisition-related intangible assets associated with acquired customer relationships, customer acquisition and creative assets, affiliate fees on customer referrals and allocated shared costs. Employee-related expenses consist of salaries, sales commissions, related to our brand and sales of hospitality services, taxes, benefits and stock-based compensation. Allocated shared costs include customer support costs related to assistance provided by our customer service team to customers during their trial periods on our platform. Depending on the nature of the advertising, costs are expensed at the time a commercial initially airs, when a promotion first appears in the media or as incurred. Affiliate fees on customer referrals are deferred and recognized ratably over the expected period of our relationship with the new customer. In addition, we capitalize sales Sales commissions paid to internal sales personnel relating to obtaining customer contracts. These contracts are capitalized sales commissions are deferred and amortized ratably over the expected life of the new customer.

Marketing and sales expenses also include amortization of acquisition-related intangible assets associated with acquired customer relationships.

General and administrative

General and administrative expenses are primarily employee-related expenses, which consist of salaries, taxes, benefits and stock-based compensation associated with supporting business operations. General and administrative expenses also include software and subscription services, insurance, as well as external accounting and legal professional service fees. fees, indirect taxes, as well as insurance. The functional elements included in general and administrative are finance, people, legal, information technology and overall corporate support.

Interest expense

Interest expense primarily consists of the interest expense related to our debt facilities. For further discussion on our interest expense related to our debt facilities, see "Liquidity and Capital Resources, Indebtedness."

Other income, net income/(loss)

Other income, net income/(loss) is primarily comprised of net investment income and realized and unrealized foreign currency gains and losses. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk, Foreign Currency Exchange Risk."

Provision for Benefit from income taxes

The Company accounts for income taxes under the asset and liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company recognizes deferred tax assets to the extent it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. A valuation allowance is provided if it is determined that it is more likely than not that the deferred tax asset will not be realized.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties, where appropriate, related to unrecognized tax benefits in income tax expense.

Effective December 1, 2018, the Company became subject to a U.S. tax requirement that certain income earned by foreign subsidiaries, referred to as Global Intangible Low-Taxed Income ("GILTI"), must be included in the gross income of the subsidiary's U.S. shareholder. Accounting principles generally accepted in the U.S. provide for an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current period expense when incurred. The Company elected to treat GILTI as a current period expense when incurred.

Results of operations

The following table sets forth our condensed consolidated statements of operations information for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended September 30,		Nine Months Ended September 30,				
	Three Months Ended March 31,							Three Months Ended March 31,
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2024	2023
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	(Unaudited)							(Unaudited)
Revenue	Revenue	$ 257,061	$ 217,696	$ 741,618	$ 638,160			
Cost of revenue(1)	Cost of revenue(1)	51,753	38,907	137,870	112,549			
Gross profit	Gross profit	205,308	178,789	603,748	525,611			
Operating expenses:	Operating expenses:							
Research and product development(1)	Research and product development(1)	60,491	54,312	180,473	170,469			
Research and product development(1)								
Research and product development(1)								
Marketing and sales(1)	Marketing and sales(1)	81,016	74,248	258,061	255,897			
General and administrative(1)	General and administrative(1)	36,155	38,507	99,404	113,678			

Total operating expenses	Total operating expenses	177,662	167,067	537,938	540,044
Operating income/(loss)		27,646	11,722	65,810	(14,433)
Operating (loss)/income					
Interest expense	Interest expense	(9,321)	(5,209)	(26,050)	(10,977)
Other income, net		6,327	6,869	7,525	14,597
Income/(loss) before provision for income taxes		24,652	13,382	47,285	(10,813)
Provision for income taxes		(41,151)	(3,277)	(59,622)	(7,446)
Net (loss)/income		$ (16,499)	$ 10,105	$ (12,337)	$ (18,259)
Other income/(loss)					
Loss before benefit from income taxes					
Benefit from income taxes					
Net income					

(1) Includes stock-based compensation as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,				
	Three Months Ended March 31,						Three Months Ended March 31,	
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2024	2023
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	(Unaudited)						(Unaudited)	
Cost of revenue	Cost of revenue	$ 1,484	$ 1,000	$ 4,085	$ 2,470			
Research and product development	Research and product development	14,601	9,462	40,938	31,138			
Marketing and sales	Marketing and sales	3,019	2,252	7,935	6,246			
General and administrative	General and administrative	9,213	11,380	26,964	35,197			
Total stock-based compensation	Total stock-based compensation	$ 28,317	$ 24,094	$ 79,922	$ 75,051			

The following table sets forth our condensed consolidated statements of operations information as a percentage of total revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended September 30,		Nine Months Ended September 30,				
		2023	2022	2023	2022			
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	Three Months Ended March 31,						Three Months Ended March 31,	
	2024						2024	2023
	(Unaudited)							(Unaudited)
Revenue	Revenue	100.0 %	100.0 %	100.0 %	100.0 %	Revenue	100.0 %	100.0 %

Cost of revenue	Cost of revenue	20.1 %	17.9 %	18.6 %	17.6 %	Cost of revenue	28.7 %	18.1 %
Gross profit	Gross profit	79.9 %	82.1 %	81.4 %	82.4 %	Gross profit	71.3 %	81.9 %
Operating expenses:	Operating expenses:							
Research and product development	Research and product development	23.5 %	24.9 %	24.3 %	26.7 %			
Research and product development								
Research and product development							23.8 %	24.7 %
Marketing and sales	Marketing and sales	31.5 %	34.1 %	34.8 %	40.1 %	Marketing and sales	41.8 %	42.9 %
General and administrative	General and administrative	14.1 %	17.7 %	13.4 %	17.8 %	General and administrative	11.0 %	13.6 %
Total operating expenses	Total operating expenses	69.1 %	76.7 %	72.5 %	84.6 %	Total operating expenses	76.6 %	81.2 %
Operating income/(loss)		10.8 %	5.4 %	8.9 %	(2.2) %			
Operating (loss)/income						Operating (loss)/income	(5.3) %	0.7 %
Interest expense	Interest expense	(3.6) %	(2.4) %	(3.5) %	(1.7) %	Interest expense	(3.7) %	(3.4) %
Other income, net		2.5 %	3.2 %	1.0 %	2.3 %			
Income/(loss) before provision for income taxes		9.7 %	6.2 %	6.4 %	(1.6) %			
Provision for income taxes		(16.0) %	(1.5) %	(8.0) %	(1.2) %			
Net (loss)/income		(6.3) %	4.7 %	(1.6) %	(2.8) %			
Other income/(loss)						Other income/(loss)	1.6 %	(0.4) %
Loss before benefit from income taxes						Loss before benefit from income taxes	(7.4) %	(3.1) %
Benefit from income taxes						Benefit from income taxes	7.4 %	3.3 %
Net income						Net income	— %	0.2 %

The following table sets forth our condensed consolidated revenue by geographic location and our condensed consolidated revenue by geographic location as a percentage of total revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change							
	Three Months Ended March 31,										Three Months Ended March 31,				
($ in thousands, except percentages)	($ in thousands, except percentages)	2023	2022	Amount	%	2023	2022	Amount	%	($ in thousands, except percentages)	2024		2023		Amo
		(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)								
	(Unaudited)														
United States															
United States															
United States	United States	$ 184,198	$ 157,409	$ 26,789	17.0 %	$ 531,147	$ 456,583	$ 74,564	16.3 %	$ 201,035	$		$ 169,754	$	$ 31,281

International	International	72,863	60,287	12,576	20.9 %	210,471	181,577	28,894	15.9 %	International	80,113	67,274		67,274	12,839	
Total revenue	Total revenue	$ 257,061	$ 217,696	$ 39,365	18.1 %	$ 741,618	$ 638,160	$ 103,458	16.2 %	Total revenue	$ 281,148	$		$ 237,028	$	$ 44,12
Percentage of total revenue:	Percentage of total revenue:															
United States	United States	71.7 %	72.3 %			71.6 %	71.5 %									
United States																
United States																
International																
International																
International	International	28.3 %	27.7 %			28.4 %	28.5 %									
Total revenue	Total revenue	100 %	100 %			100 %	100 %									
Total revenue																
Total revenue																

Comparison of the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Revenue

		Three Months Ended September 30,		Change									
	Three Months Ended March 31,						Three Months Ended March 31,				Change		
($ in thousands, except percentages)	($ in thousands, except percentages)	2023	2022	Amount	%	($ in thousands, except percentages)	2024		2023		Amount		%
		(Unaudited)	(Unaudited)										
	(Unaudited)												
Presence													
Presence													
Presence	Presence	$ 179,451	$ 149,995	$ 29,456	19.6 %	$	200,884	$	$ 164,391	$	$ 36,493	22.2	22.2 %
Commerce	Commerce	77,610	67,701	9,909	14.6 %	Commerce	80,264	72,637	72,637	7,627	7,627	10.5	10.5 %
Total revenue	Total revenue	$ 257,061	$ 217,696	$ 39,365	18.1 %	Total revenue	$ 281,148	$	$ 237,028	$	$ 44,120	18.6	18.6 %
Percentage of total revenue:	Percentage of total revenue:												
Presence	Presence	69.8 %	68.9 %										
Presence													
Presence													
Commerce													
Commerce													
Commerce	Commerce	30.2 %	31.1 %										
Total revenue	Total revenue	100 %	100 %										
Total revenue													
Total revenue													

Presence revenue

Presence revenue increased $29.5 $36.5 million, or 19.6% 22.2%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. This increase was primarily the result of price increases across our website subscription plans, which contributed approximately $11.7 million, or 39.7%. Additionally, the growth of our unique subscriptions, which contributed approximately $10.8 million $20.3 million, or 36.7% 55.7%, driven by retention of existing subscriptions and continued acquisition of new subscriptions across our presence offerings. As described below, above, unique subscriptions do not include account for the Acquired Domain Assets. Assets, which contributed additional growth of $11.5 million, or 31.5%. Additionally, price increases across our website subscription plans contributed $4.2 million, or 11.4%.

Commerce revenue

Commerce revenue increased $9.9 $7.6 million, or 14.6% 10.5%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. This increase was primarily the result of the growth of our unique subscriptions, which contributed approximately $6.7 million $5.8 million, or 67.8% 76.7%, driven by retention of existing subscriptions and continued acquisition of new subscriptions across our commerce offerings, including subscriptions for our scheduling and hospitality services. marketing tools. Additionally, price increases across our commerce subscription plans contributed approximately $1.2 million, or 16.0%.

Cost of revenue and gross profit

($ in thousands, except percentages)	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(Unaudited)	(Unaudited)		
Cost of revenue	$ 51,753	$ 38,907	$ 12,846	33.0 %
Gross profit	$ 205,308	$ 178,789	$ 26,519	14.8 %
Percentage of total revenue:				
Cost of revenue	20.1 %	17.9 %		
Gross profit	79.9 %	82.1 %		

($ in thousands, except percentages)	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(Unaudited)	(Unaudited)		
Cost of revenue	$ 80,774	$ 42,950	$ 37,824	88.1 %
Gross profit	$ 200,374	$ 194,078	$ 6,296	3.2 %
Percentage of total revenue:				
Cost of revenue	28.7 %	18.1 %		
Gross profit	71.3 %	81.9 %		

Cost of revenue

Cost of revenue increased $12.8 million, $37.8 million, or 33.0% 88.1%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The increase was primarily due to increases in domain name registration fees of $8.1 million $31.3 million, mainly primarily attributed to domain subscriptions associated with the Google Domain Domains Asset Acquisition, Acquisition. Additionally, this increase was partially due to increases in web hosting costs of $2.4 million, payroll and associated benefit expenses for customer support of $2.3 million, credit card $2.2 million and payment processing fees of $1.5 million, and hosting costs of $1.0 million $1.1 million, as a result of our growing subscription base.

Gross profit

Gross profit increased $26.5 $6.3 million, or 14.8% 3.2%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. As 2023, primarily due to the growth of our unique subscriptions, partially offset by increases in domain name registration fees primarily attributed to domain subscriptions associated with the Google Domains Asset Acquisition.

Gross profit as a percentage of total revenue gross profit was 79.9% and 82.1% 71.3% for the three months ended September 30, 2023 March 31, 2024 compared to 81.9% for the same period in 2023, primarily due to the Acquired Domain Assets, all of which have not completed an annual renewal period on our platform as of March 31, 2024. Generally, we recognize revenue for our domain subscription ratably over a period of twelve months and 2022, respectively. we recognize the cost of registering domains upon purchase or renewal. This has resulted in a decline in gross profit as a percentage of revenue during the three months ended March 31, 2024 compared to the same period in 2023, which was prior to the Google Domains Asset Acquisition.

Operating expenses:

Research and product development

($ in thousands, except percentages)	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(Unaudited)	(Unaudited)		

($ in thousands, except percentages)	Three Months Ended March 31,		Change	
	2024	2023	Amount	%

	(Unaudited)											
Research and product development												
Research and product development												
Research and product development	Research and product development	$ 60,491	$ 54,312	$ 6,179	11.4 %	$ 66,846	$	$ 58,570	$	$ 8,276	14.1	14.1 %
Percentage of total revenue	Percentage of total revenue	23.5 %	24.9 %									

Research and product development expenses increased $6.2 $8.3 million, or 11.4% 14.1%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The increase is was primarily due to increased increases in payroll and associated benefit expenses of $6.7 million $7.5 million, partially offset by increased increases in capitalized internally developed software costs of $0.9 million $0.7 million, in support of our product development. Additionally, during the three months ended March 31, 2024, the Company recognized $1.1 million of expenses related to a transactions service agreement between the Company and Google as part of the Google Domains Asset Acquisition.

Marketing and sales

		Three Months Ended September 30,		Change								
	Three Months Ended March 31,						Three Months Ended March 31,				Change	
($ in thousands, except percentages)	($ in thousands, except percentages)	2023	2022	Amount	%	($ in thousands, except percentages)	2024		2023		Amount	%
		(Unaudited)	(Unaudited)									
	(Unaudited)											
Marketing and sales												
Marketing and sales												
Marketing and sales	Marketing and sales	$ 81,016	$ 74,248	$ 6,768	9.1 %	$ 117,533	$	$ 101,672	$	$ 15,861	15.6	15.6 %
Percentage of total revenue	Percentage of total revenue	31.5 %	34.1 %									

Marketing and sales expenses increased $6.8 $15.9 million, or 9.1% 15.6%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022, 2023, primarily due to increased advertising expenses of $4.4 million, which were mainly driven by increases in direct response channels, partially offset by decreases in partnerships. The increase was also due to increased amortization expense of $2.8 million primarily associated with $11.0 million related to finite-lived intangible assets acquired as part of the Google Domains Asset Acquisition. Acquisition and advertising expenses of $5.2 million, mainly related to increased direct response channels.

General and administrative

		Three Months Ended September 30,		Change								
	Three Months Ended March 31,						Three Months Ended March 31,				Change	
($ in thousands, except percentages)	($ in thousands, except percentages)	2023	2022	Amount	%	($ in thousands, except percentages)	2024		2023		Amount	%
		(Unaudited)	(Unaudited)									
	(Unaudited)											
General and administrative												
General and administrative												
General and administrative	General and administrative	$ 36,155	$ 38,507	$ (2,352)	(6.1)%	$ 30,823	$	$ 32,340	$	$ (1,517)	(4.7)	(4.7) %
Percentage of total revenue	Percentage of total revenue	14.1 %	17.7 %									

General and administrative expenses decreased $2.4 $1.5 million, or 6.1% 4.7%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022, 2023, primarily due to decreased stock-based compensation indirect tax expenses of $2.2 million mainly driven by the market-performance grant issued to our CEO, as well as impairment charges recorded during the three months ended September 30, 2022 associated with our operating lease right-of-use assets of $1.7 million that did not recur in 2023. Additionally, these decreases were partially offset by a write-off of capitalized cloud software implementation fees of $1.5 million during the three months ended September 30, 2023 $1.6 million.

Interest expense

($ in thousands, except percentages)	Three Months Ended September 30, 2023	2022	Change Amount	%
	(Unaudited)	(Unaudited)		
Interest expense	$ (9,321)	$ (5,209)	$ 4,112	78.9 %
Percentage of total revenue	(3.6) %	(2.4) %		

($ in thousands, except percentages)	Three Months Ended March 31, 2024	2023	Change Amount	%
(Unaudited)				
Interest expense	$ (10,381)	$ (8,094)	$ 2,287	28.3 28.3 %

Interest expense increased $4.1 $2.3 million, or 28.3%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022 2023, primarily due to higher interest rates, driven by increased benchmark rates, on an increase in our total debt outstanding as well as a result of additional term loan commitments received during the three months third quarter of the year ended September 30, 2023 December 31, 2023.

Other income, net income/(loss)

($ in thousands, except percentages)	Three Months Ended September 30, 2023	2022	Change Amount	%
	(Unaudited)	(Unaudited)		
Other income, net	$ 6,327	$ 6,869	$ (542)	(7.9)%
Percentage of total revenue	2.5 %	3.2 %		

($ in thousands, except percentages)	Three Months Ended March 31, 2024	2023	Change Amount	%
(Unaudited)				
Other income/(loss)	$ 4,577	$ (840)	$ 5,417	(644.9) %

Other income, net was $6.3 million income/(loss) increased $5.4 million for the three months ended September 30, 2023 March 31, 2024 compared to $6.9 million during the same period in 2022. 2023. The decrease increase is primarily due to unfavorable increased net transaction gains of $3.3 million due to favorable foreign exchange rates, for the three months ended September 30, 2023 as well as increased interest income of $2.0 million due to increased cash equivalents and investment in marketable securities balances compared to the same period in 2022. 2023.

Provision for Benefit from income taxes

($ in thousands, except percentages)	Three Months Ended September 30, 2023	2022	Change Amount	%
	(Unaudited)	(Unaudited)		

Income before provision for income taxes	$ 24,652	$ 13,382	$ 11,270	84.2 %
Provision for income taxes	$ (41,151)	$ (3,277)	$ (37,874)	
Effective tax rate	(166.9)%	(24.5)%	(142.4)%	

For the three months ended September 30, 2023, we applied the estimated annual tax rate in accordance with ASC Topic 740, Income Taxes ("ASC Topic 740"), Subtopics 270-30-6 through 8 to year-to-date results to determine the provision for income taxes. The estimated annual effective tax rate is based on forecasted annual results which fluctuate due to significant changes in the forecasted or actual results and any other transaction that results in differing tax treatment.

For the three months ended September 30, 2022, we departed from the estimated annual effective tax rate method and computed our income tax benefit using the discrete effective tax rate method (the "discrete method"). The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit on that basis.

($ in thousands, except percentages)	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(Unaudited)	(Unaudited)		
Loss before benefit from income taxes	$ (20,632)	$ (7,438)	$ (13,194)	177.4 %
Benefit from income taxes	$ 20,776	$ 7,940	$ 12,836	
Effective tax rate	(100.7)%	(106.7)%	6.0 %	

The provision for benefit from income taxes increased for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022, 2023, primarily driven by an the increase in forecasted annual loss before benefit from income as of September 30, 2023 as compared to the income before provision for income taxes for the three months ended September 30, 2022. In addition, the utilization of net operating loss carryforwards as well as research and development tax credits decreased for the three months ended September 30, 2023 as compared to the same period in 2022. taxes.

Comparison of the Nine Months Ended September 30, 2023 and 2022

Revenue

($ in thousands, except percentages)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
	(Unaudited)	(Unaudited)		
Presence	$ 515,916	$ 440,471	$ 75,445	17.1 %
Commerce	225,702	197,689	28,013	14.2 %
Total revenue	$ 741,618	$ 638,160	$ 103,458	16.2 %
Percentage of total revenue:				
Presence	69.6 %	69.0 %		
Commerce	30.4 %	31.0 %		
Total revenue	100 %	100 %		

Presence revenue

Presence revenue increased $75.4 million, or 17.1%, for the nine months ended September 30, 2023 compared to the same period in 2022. This increase was primarily the result of the growth of our unique subscriptions, which contributed $38.0 million, or 50.4%, driven by retention of existing subscriptions and continued acquisition of new subscriptions across our presence offerings. Additionally, price increases across our website subscription plans contributed $28.6 million, or 37.9%, to the year-over-year presence revenue growth. As described below, unique subscriptions do not include the Acquired Domain Assets.

Commerce revenue

Commerce revenue increased $28.0 million, or 14.2%, for the nine months ended September 30, 2023 compared to the same period in 2022. This increase was primarily the result of the growth of our unique subscriptions, which contributed approximately $20.4 million, or 72.7%, driven by retention of existing subscriptions and continued acquisition of new subscriptions across our commerce offerings, including subscriptions for our scheduling and hospitality services.

Cost of revenue and gross profit

($ in thousands, except percentages)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
	(Unaudited)	(Unaudited)		
Cost of revenue	$ 137,870	$ 112,549	$ 25,321	22.5 %
Gross profit	$ 603,748	$ 525,611	$ 78,137	14.9 %

Percentage of total revenue:		
Cost of revenue	18.6 %	17.6 %
Gross profit	81.4 %	82.4 %

Cost of revenue

Cost of revenue increased $25.3 million, or 22.5%, for the nine months ended September 30, 2023 compared to the same period in 2022. The increase was primarily due to increases in domain name registration fees of $10.7 million, mainly due to the Google Domain Asset Acquisition, payroll and associated benefit expenses for customer support of $7.1 million, payment processing fees of $5.2 million, as a result of our growing subscription base.

Gross profit

Gross profit increased $78.1 million, or 14.9%, for the nine months ended September 30, 2023 compared to the same period in 2022. As a percentage of total revenue, gross profit was 81.4% and 82.4% for the nine months ended September 30, 2023 and 2022, respectively.

Operating expenses:

Research and product development

	Nine Months Ended September 30,				Change			
($ in thousands, except percentages)	2023		2022		Amount		%	
	(Unaudited)		(Unaudited)					
Research and product development	$	180,473	$	170,469	$	10,004	5.9 %	
Percentage of total revenue		24.3 %		26.7 %				

Research and product development expenses increased $10.0 million, or 5.9%, for the nine months ended September 30, 2023 compared to the same period in 2022. The increase is primarily due to payroll and associated benefit expenses of $12.6 million, partially offset by capitalized internally developed software costs of $2.4 million in support of our product development.

Marketing and sales

	Nine Months Ended September 30,				Change			
($ in thousands, except percentages)	2023		2022		Amount		%	
	(Unaudited)		(Unaudited)					
Marketing and sales	$	258,061	$	255,897	$	2,164	0.8 %	
Percentage of total revenue		34.8 %		40.1 %				

Marketing and sales expenses increased $2.2 million, or 0.8%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to increased payroll and associated benefit expenses of $4.8 million, as well as increased amortization expense of $2.3 million primarily associated with finite-lived intangible assets acquired as part of the Google Domains Asset Acquisition. Additionally, these increases were partially offset by decreased advertising expenses of $4.9 million, mainly related to decreased television advertising, production expenses, and partnerships partially offset by increased direct response channels.

General and administrative

	Nine Months Ended September 30,				Change			
($ in thousands, except percentages)	2023		2022		Amount		%	
	(Unaudited)		(Unaudited)					
General and administrative	$	99,404	$	113,678	$	(14,274)	(12.6)%	
Percentage of total revenue		13.4 %		17.8 %				

General and administrative expenses decreased $14.3 million, or 12.6%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due decreased stock-based compensation expenses of $8.2 million mainly related to the market-performance grant issued to our CEO, as well as a decrease in indirect tax expense and related penalties of $4.4 million. The decrease is also due to impairment charges recorded during the nine months ended September 30, 2022 associated with our operating lease right-of-use assets of $1.7 million that did not recur in 2023, as well as decreased insurance costs of $1.2 million. Additionally, these decreases were partially offset by a write-off of capitalized cloud software implementation fees of $1.5 million during the nine months ended September 30, 2023.

Interest expense

	Nine Months Ended September 30,				Change			
($ in thousands, except percentages)	2023		2022		Amount		%	
	(Unaudited)		(Unaudited)					
Interest expense	$	(26,050)	$	(10,977)	$	15,073	137.3 %	

Percentage of total revenue	(3.5)%	(1.7)%

Interest expense increased $15.1 million for the nine months ended September 30, 2023 compared to the same period in 2022 primarily due to higher interest rates, driven by increased benchmark rates, on our total debt outstanding, as well as additional term loan commitments received during the nine months ended September 30, 2023.

Other income, net

	Nine Months Ended September 30,		Change	
($ in thousands, except percentages)	2023	2022	Amount	%
	(Unaudited)	(Unaudited)		
Other income, net	$ 7,525	$ 14,597	$ (7,072)	(48.4)%
Percentage of total revenue	1.0 %	2.3 %		

Other income, net was $7.5 million for the nine months ended September 30, 2023 compared to $14.6 million during the same period in 2022. The decrease is primarily due to decreased unrealized and realized gains of $11.0 million due to unfavorable foreign exchange rates, partially offset by increased interest earned on cash and cash equivalents of $4.0 million due to higher interest rates for the nine months ended September 30, 2023 compared tothe same period in 2022.

Provision for income taxes

	Nine Months Ended September 30,		Change	
($ in thousands, except percentages)	2023	2022	Amount	%
	(Unaudited)	(Unaudited)		
Income/(loss) before provision for income taxes	$ 47,285	$ (10,813)	$ 58,098	(537.3)%
Provision for income taxes	$ (59,622)	$ (7,446)	$ (52,176)	
Effective tax rate	(126.1)%	68.9 %	(195.0)%	

For the nine months ended September 30, 2023, we applied the estimated annual tax rate in accordance with ASC Topic 740, Subtopics 270-30-6 through 8 to year-to-date results to determine the provision for income taxes. The estimated annual effective tax rate is based on forecasted annual results which fluctuate due to significant changes in the forecasted/actual results and any other transaction that results in differing tax treatment.

For the nine months ended September 30, 2022, we departed from the estimated annual effective tax rate method and computed our income tax provision using the discrete method. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit based on that basis.

The provision for income taxes increased for the nine months ended September 30, 2023 compared to the same period in 2022, primarily driven by an increase in forecasted annual income as of September 30, 2023 as compared to the loss before provision for income taxes for the nine months ended September 30, 2022. In addition, the utilization of net operating loss carryforwards as well as research and development tax credits decreased for the nine months ended September 30, 2023 as compared to the same period in 2022.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for each of the eight fiscal quarters ended September 30, 2023 March 31, 2024, as well as the percentage of revenues that each line item represents for each quarter. The information for each of these quarters has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") on the same basis as our audited historical condensed consolidated financial information and includes, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. These quarterly results are not necessarily indicative of our results of operations to be expected for any future period.

		Three Months Ended (Unaudited)							
		Three Months Ended (Unaudited)							
($ in thousands)	($ in thousands)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	Revenue	$ 257,061	$ 247,529	$ 237,028	$ 228,812	$ 217,696	$ 212,702	$ 207,762	$ 207,420
Cost of revenue(1)	Cost of revenue(1)	51,753	43,167	42,950	40,106	38,907	36,993	36,649	33,854
Gross profit	Gross profit	205,308	204,362	194,078	188,706	178,789	175,709	171,113	173,566
Operating expenses:	Operating expenses:								

	Three Months Ended (Unaudited)							
($ in thousands)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022

Research and product development(1)	Research and product development(1)	60,491	61,412	58,570	56,828	54,312	58,829	57,328	50,679
Research and product development(1)									
Research and product development(1)									
Marketing and sales(1)	Marketing and sales(1)	81,016	75,373	101,672	66,154	74,248	68,743	112,906	90,960
General and administrative(1)	General and administrative(1)	36,155	30,909	32,340	37,942	38,507	39,190	35,981	31,608
Impairment charge	Impairment charge	—	—	—	225,163	—	—	—	—
Total operating expenses	Total operating expenses	177,662	167,694	192,582	386,087	167,067	166,762	206,215	173,247
Operating income/(loss)		27,646	36,668	1,496	(197,381)	11,722	8,947	(35,102)	319
Operating (loss)/income									
Interest expense	Interest expense	(9,321)	(8,635)	(8,094)	(7,230)	(5,209)	(3,319)	(2,449)	(2,503)
Other income/(loss), net	Other income/(loss), net	6,327	2,038	(840)	(9,567)	6,869	6,217	1,511	2,138
Income/(loss) before (provision for)/benefit from income taxes		24,652	30,071	(7,438)	(214,178)	13,382	11,845	(36,040)	(46)
(Provision for)/benefit from income taxes		(41,151)	(26,411)	7,940	(19,784)	(3,277)	52,651	(56,820)	(16,264)
Net (loss)/income		$ (16,499)	$ 3,660	$ 502	$ (233,962)	$ 10,105	$ 64,496	$ (92,860)	$ (16,310)
(Loss)/income before benefit from/(provisions for) income taxes									
Benefit from/(provision for) income taxes									
Net income/(loss)									
Net (loss)/income per share, basic		$ (0.12)	$ 0.03	$ 0.00	$ (1.72)	$ 0.07	$ 0.46	$ (0.67)	$ (0.12)
Net (loss)/income per share, dilutive		$ (0.12)	$ 0.03	$ 0.00	$ (1.72)	$ 0.07	$ 0.45	$ (0.67)	$ (0.12)
Weighted-average shares used in computing net (loss)/income per share, basic		135,736,599	135,302,409	134,917,610	136,340,283	137,832,634	140,082,038	139,423,228	138,970,923
Weighted-average shares used in computing net (loss)/income per share, dilutive		135,736,599	138,771,613	137,182,268	136,340,283	139,667,719	142,133,303	139,423,228	138,970,923
Net income/(loss) per share, basic									
Net income/(loss) per share, basic									
Net income/(loss) per share, basic									
Net income/(loss) per share, diluted									
Weighted-average shares used in computing net income/(loss) per share, basic									
Weighted-average shares used in computing net income/(loss) per share, diluted									

(1) Includes stock-based compensation as follows:

		Three Months Ended (Unaudited)							
		Three Months Ended (Unaudited)							
		Three Months Ended (Unaudited)							
		Three Months Ended (Unaudited)							
($ in thousands)	($ in thousands)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Cost of revenue	Cost of revenue	$ 1,484	$ 1,549	$ 1,052	$ 944	$ 1,000	$ 846	$ 624	$ 450
Cost of revenue									
Cost of revenue									
Research and product development									
Research and product development									

Research and product development	Research and product development	14,601	15,650	10,687	11,099	9,462	11,508	10,168	9,210
Marketing and sales	Marketing and sales	3,019	3,045	1,871	2,450	2,252	2,395	1,599	1,472
Marketing and sales									
Marketing and sales									
General and administrative									
General and administrative									
General and administrative	General and administrative	9,213	9,235	8,516	12,989	11,380	12,111	11,706	12,693
Total stock-based compensation	Total stock-based compensation	$ 28,317	$ 29,479	$ 22,126	$ 27,482	$ 24,094	$ 26,860	$ 24,097	$ 23,825
Total stock-based compensation									
Total stock-based compensation									

The following table sets forth our condensed consolidated statements of operations information as a percentage of total revenue for the three month periods indicated below.

	Three Months Ended (Unaudited)							
($ in thousands)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue(1)	20.1 %	17.4 %	18.1 %	17.5 %	17.9 %	17.4 %	17.6 %	16.3 %
Gross profit	79.9 %	82.6 %	81.9 %	82.5 %	82.1 %	82.6 %	82.4 %	83.7 %
Operating expenses:								
Research and product development(1)	23.5 %	24.8 %	24.7 %	24.8 %	24.9 %	27.7 %	27.6 %	24.4 %
Marketing and sales(1)	31.5 %	30.5 %	42.9 %	28.9 %	34.1 %	32.3 %	54.3 %	43.9 %
General and administrative(1)	14.1 %	12.5 %	13.6 %	16.6 %	17.7 %	18.4 %	17.3 %	15.2 %
Impairment charge	— %	— %	— %	98.4 %	— %	— %	— %	— %
Total operating expenses	69.1 %	67.8 %	81.2 %	168.7 %	76.7 %	78.4 %	99.2 %	83.5 %
Operating income/(loss)	10.8 %	14.8 %	0.7 %	(86.2)%	5.4 %	4.2 %	(16.8)%	0.2 %
Interest expense	(3.6)%	(3.5)%	(3.4)%	(3.2)%	(2.4)%	(1.6)%	(1.2)%	(1.2)%

	Three Months Ended (Unaudited)							
($ in thousands)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	28.7 %	25.7 %	20.1 %	17.4 %	18.1 %	17.5 %	17.9 %	17.4 %
Gross profit	71.3 %	74.3 %	79.9 %	82.6 %	81.9 %	82.5 %	82.1 %	82.6 %
Research and product development								
Research and product development								
Research and product development	23.8 %	22.8 %	23.5 %	24.8 %	24.7 %	24.8 %	24.9 %	27.7 %
Marketing and sales	41.8 %	33.8 %	31.5 %	30.5 %	42.9 %	28.9 %	34.1 %	32.3 %
General and administrative	11.0 %	11.1 %	14.1 %	12.5 %	13.6 %	16.6 %	17.7 %	18.4 %
Impairment charge	— %	— %	— %	— %	— %	98.4 %	— %	— %
Total operating expenses	76.6 %	67.7 %	69.1 %	67.8 %	81.2 %	168.7 %	76.7 %	78.4 %
Operating (loss)/income	(5.3) %	6.6 %	10.8 %	14.8 %	0.7 %	(86.2) %	5.4 %	4.2 %
Interest expense	(3.7) %	(4.0) %	(3.6) %	(3.5)%	(3.4)%	(3.2) %	(2.4) %	(1.6)%

Other income/(loss), net	2.5 %	0.8 %	(0.4)%	(4.2) %	3.2 %	2.9 %	0.7 %	1.0 %
Income/(loss) before (provision for)/benefit from income taxes	9.7 %	12.1 %	(3.1)%	(93.6) %	6.2 %	5.5 %	(17.3)%	— %
(Provision for)/benefit from income taxes	(16.0) %	(10.7)%	3.3 %	(8.6) %	(1.5) %	24.8 %	(27.3)%	(7.8) %
Net (loss)/income	(6.3) %	1.4 %	0.2 %	(102.2) %	4.7 %	30.3 %	(44.6)%	(7.8) %

Other income/(loss), net	1.6 %	(1.5) %	2.5 %	0.8 %	(0.4)%	(4.2) %	3.2 %	2.9 %
(Loss)/income before benefit from/(provisions for) income taxes	(7.4) %	1.1 %	9.7 %	12.1 %	(3.1) %	(93.6) %	6.2 %	5.5 %
Benefit from/(provision for) income taxes	7.4 %	0.8 %	(16.0)%	(10.7)%	3.3 %	(8.6) %	(1.5)%	24.8 %
Net income/(loss)	— %	1.9 %	(6.3)%	1.4 %	0.2 %	(102.2) %	4.7 %	30.3 %

Quarterly Trends

Our business is impacted by seasonal fluctuations. We typically register a greater number of new unique subscriptions during the first quarter of a year. We believe this is related to, among other things, our customers' buying habits and our increased marketing and sales spend in the first quarter of most years. In the future, seasonal trends may cause fluctuations in our quarterly results, which may impact the predictability of our business and operating results. results of operations.

Liquidity and Capital Resources

To date, we have primarily financed our operations through cash flows from operations.

As of September 30, 2023 March 31, 2024, we had cash and cash equivalents and investment in marketable securities of $216.5 million $288.9 million and $17.7 million of available borrowing capacity under our Revolving Credit Facility, as defined below. During July 2021, we were issued an additional letter of credit for $2.5 million relating to a security deposit for our operating lease in Chicago, IL. Additionally, during September 2022, the letter of credit for our security deposit related to the New York, NY headquarters was reduced by $2.4 million due to a scheduled step-down per the lease agreement. See "Part I. Financial Information, Item 1. Financial Statements (Unaudited), Note 10. Debt." We believe our existing cash and cash equivalents and investment in marketable securities will be sufficient to meet our operating working capital and capital expenditure requirements over the next 12 months. On January 1, 2022, a provision of the Tax Cuts and Jobs Act of 2017 went into effect which eliminates the option to deduct research and development costs in the year incurred and instead requires taxpayers to amortize such costs over five years and 15 years for domestic and foreign costs, respectively. While we expect to pay significantly higher cash tax payments during 2023, the adverse cash flow impact will diminish in future years as our capitalized research and development expenditures continue to amortize. In addition, during the three months ended September 30, 2023, we received $8.7 million in federal tax refund claims of which $4.0 million related to a research and development tax credit carryback to 2018 and $4.7 million related to a 2020 tax overpayment. As of September 30, 2023, we had accrued $13.2 million of unrecognized tax benefits related to uncertain tax positions. At this time, we are unable to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease over time. Our principal commitments consist of payments for our Credit Facility, operating leases and purchase commitments related to cloud-computing services. On May 10, 2022 See "Part I. Financial Information, Item 1. Financial Statements (Unaudited), Note 8. Debt" for further information on our Credit Facility.

We believe our existing cash and cash equivalents will be sufficient to meet our operating working capital and capital expenditure requirements over the board of directors authorized a general share repurchase program of the Company's Class A common stock of up to $200.0 million, with no fixed expiration (the "Stock Repurchase Plan"). During the three months ended September 30, 2023, the Company did not repurchase shares under the Stock Repurchase Plan. During the nine months ended September 30, 2023, the Company repurchased 1.3 million shares and paid cash of $25.3 million, including commissions of $0.03 million, through open market purchases at a weighted-average price per share of $22.04. As of September 30, 2023, approximately $54.5 million remained available for stock repurchase. next 12 months. Our future financing requirements will depend on many factors, including our growth rate, subscription renewal activity, the timing and extent of spending to support development of our platform and products, the expansion of marketing and sales activities and any future investments or acquisitions we may make. See "Part II. Other Information, Item 1A. Risk Factors."

The following table summarizes our operating, investing and financing activities for the nine three months ended September 30, 2023 March 31, 2024 and 2022.

	Nine Months Ended September 30,	
($ in thousands)	**2023**	**2022**
Net cash provided by/(used in):		
Operating activities	$ 170,027	$ 125,117
Investing activities	$ (158,022)	$ (5,556)
Financing activities	$ 12,748	$ (110,945)

2023.

($ in thousands)		Three Months Ended March 31, 2024		2023
Net cash provided by/(used in):				
Operating activities	$	85,219	$	64,155
Investing activities	$	(50,416)	$	28,765
Financing activities	$	(47,939)	$	(48,178)

Net cash provided by operating activities

Net cash provided by operating activities for the nine three months ended September 30, 2023 March 31, 2024 was $170.0 million $85.2 million, which reflected our net loss income of $12.3 million $0.1 million increased by non-cash items such as $79.9 million primarily consisting of $28.2 million of stock-based compensation, $25.0 million $18.7 million of depreciation and amortization, and $0.5 million $0.4 million of other non-cash operating activities, partially offset by $1.6 million $0.8 million of non-cash lease income.

Cash The changes in operating assets and liabilities included in net cash provided by operating activities included $47.8 million were $45.7 million in deferred revenue, primarily reflective of our the growth in our unique subscriptions, as well as $19.6 million in accounts payable and accrued liabilities, primarily related to increased operating expenses and the timing of payments, and $1.4 million in funds payable to customers, primarily related to increased reservations on our hospitality platform. Net cash provided by operating activities was offset by net cash outflows of $21.6 million in prepaid expenses and other current assets, primarily related to increased prepaid income taxes driven by adjustments to our tax provision partially offset by decreased prepaid advertising expenses, $4.6 million in accounts receivables and due from vendors, primarily related to the increase our unique subscriptions and the timing of cash collections, and $2.0 million in other operating assets and liabilities.

Net cash provided by operating activities for the three months ended March 31, 2023 was $64.2 million, which reflected our net income of $0.5 million increased by non-cash items primarily consisting of $22.1 million of stock-based compensation, and $7.2 million of depreciation and amortization, partially offset by $0.5 million of non-cash lease income.

The changes in operating assets and liabilities included in net cash provided by operating activities were $29.3 million in deferred revenue, primarily reflective of the growth in our unique subscriptions and price increases across several of our subscription plans, $44.1 million of $17.0 million in accounts payable and accrued liabilities, primarily reflective of changes in related to increased operating expenses and the timing of payments, including product payments, $5.4 million $1.6 million in funds payable to customers, primarily related to increased reservations on our hospitality platform, $1.8 million in other operating assets and liabilities, primarily related to increased income tax liabilities partially offset by increased prepaid referral fees. These increases were partially offset by $11.2 million $0.4 million in accounts receivables receivable and due from vendors, primarily related to the timing of cash in-transit, and $9.5 million collections. Net cash provided by operating activities was offset by net cash outflows of $13.7 million in prepaid expenses and other current assets, primarily related to increased prepaid domain name registration fees income taxes partially offset by the timing of payments, including decreased prepaid advertising prepayments. expenses.

Net cash (used in)/provided by operating activities for the nine months ended September 30, 2022 was $125.1 million, which reflected our net loss of $18.3 million increased by non-cash items such as $75.1 million of stock-based compensation,

$23.8 million of depreciation and amortization, $2.3 million of non-cash lease expense, and $0.7 million of other non-cash operating activities.

Cash provided by operating activities included $38.0 million in deferred revenue, primarily reflective of our growth in unique subscriptions, $12.9 million in funds payable to customers, primarily related to increased reservations on our hospitality platform, $6.0 million of accounts payable and accrued liabilities, primarily related to accrued tax payable. These increases were offset by $11.5 million in prepaid expenses and other current assets, primarily related to the amortization of the Super Bowl advertising and decreased other receivables, $3.1 million in accounts receivable and due from vendors, primarily related to timing of payments received, and $0.8 million other operating assets and liabilities, primarily related to increased cloud software implementation fees.

Net cash used in investing activities

Net cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 was $158.0 million $50.4 million, which reflected $176.7 million spent on the Google Domains Asset Acquisition, $13.1 million $47.0 million used to purchase marketable securities and $3.4 million spent in connection with the purchase of property and equipment, including $10.1 million $2.7 million of capitalized software development costs in support of our product development, and $7.8 million used to purchase marketable securities. These were offset development.

Net cash provided by investing activities for the three months ended March 31, 2023 was $28.8 million, which reflected $39.7 million in proceeds from the sale and maturities of marketable securities.

Net cash securities, offset by $7.8 million used in investing activities for the nine months ended September 30, 2022 was $5.6 million, which reflected $8.9 million to purchase marketable securities and $3.1 million spent in connection with the purchase of property and equipment, including $2.9 million $1.9 million of capitalized software development costs in support of our product development, and $19.4 million used to purchase marketable securities. These were offset by $22.7 million in proceeds from the sale and maturities of marketable securities. development.

Net cash provided by/(used in) in financing activities

Net cash provided by used in financing activities for the nine three months ended September 30, 2023 March 31, 2024 was $12.7 million $47.9 million, which reflects $99.4 million in cash received from additional term loan borrowings used for the Google Domains Asset Acquisition, partially offset by $32.6 million in principal term loan payments, $28.3

million reflected $24.4 million in payments for taxes related to net share settlement of equity awards, $12.2 million in principal term loan payments, and $12.2 million in payments for repurchase and retirement of Class A common stock. Cash used in financing activities was offset by $0.8 million in proceeds from exercise of stock options.

Net cash used in financing activities for the three months ended March 31, 2023 was $48.2 million, which reflected $25.3 million in payments for repurchase and retirement of Class A common stock, and $0.6 million in payments of debt issuance costs related to additional term loan borrowings used for the Google Domains Asset Acquisition..

Net cash used in financing activities for the nine months ended September 30, 2022 was $110.9 million, which reflects $85.6 million in payments for repurchase and retirement of Class A common stock, $17.3 million $12.8 million in payments for taxes related to net share settlement of equity awards, and $10.2 million in principal term loan payments, partially payments. Net cash used in financing activities was offset by $2.2 million $0.1 million in proceeds from exercises of stock options.

Indebtedness

On December 12, 2019, we entered into a credit agreement with various financial institutions that provided for a $350.0 million term loan (the "2019 “2019 Term Loan" Loan”) and a $25.0 million revolving credit facility (“Revolving (the “Revolving Credit Facility”), which included a $15.0 million letter of credit sub-facility. On December 11, 2020, we amended the credit agreement (as amended, the “2020 Credit Agreement”) to increase the size of the 2019 Term Loan to $550.0 million (as amended, the “2020 Term Loan”) and extend the maturity date for the 2019 Term Loan and the Revolving Credit Facility to December 11, 2025. On June 15, 2023, we amended the 2020 Credit Agreement (as amended, the “Credit Agreement”) to increase the total size of the 2020 Term Loan to $650.0 million (the “Term Loan”) upon the closing of the Google Domains Asset Acquisition and, effective June 30, 2023, replaced LIBOR as the benchmark rate with SOFR.

The borrowings under the 2019 Term Loan were used to provide for the repurchase, and subsequent retirement, of outstanding capital stock. The borrowings under the 2020 Term Loan were used to provide for a dividend on all outstanding capital stock. The additional borrowings of $100.0 million under the Term Loan were used to partially fund the Google Domains Asset Acquisition, together with cash on hand. See “Part I. Financial Information, Item 1. Financial Statements (Unaudited), Note 4. Acquisitions" for further information.

Borrowings under the 2020 Credit Agreement were subject to an interest rate equal to, at our option, LIBOR or the bank's alternative base rate (the "ABR"), in either case, plus an applicable margin prior to June 30, 2023. Effective June 30, 2023, under the Credit Agreement, LIBOR as the benchmark rate was replaced with SOFR. The ABR is the greater of the prime rate, the federal funds effective rate plus the applicable margin or the SOFR quoted rate plus the applicable margin. The applicable margin is based on an indebtedness to consolidated EBITDA ratio as prescribed under the Credit Agreement and ranges from 1.25% to 2.25% on applicable SOFR loans and 0.25% to 1.25% on ABR loans. In addition, the Revolving Credit Facility is subject to an unused commitment fee, payable quarterly, of 0.20% to 0.25% of the unutilized commitments (subject to reduction in certain circumstances). Consolidated EBITDA is defined in the Credit Agreement and is not comparable to our definition of adjusted EBITDA used elsewhere in the Quarterly Report on Form 10-Q since the

Credit Agreement allows for additional adjustments to net (loss)/income including the exclusion of transaction costs, changes in deferred revenue and other costs that may be considered non-recurring. Further, consolidated EBITDA, as

defined in the Credit Agreement, may be different from similarly titled EBITDA financial measures used by other companies. The definition of consolidated EBITDA is contained in Section 1.1 of the Credit Agreement.

As of September 30, 2023 March 31, 2024, $583.6 $559.2 million was outstanding under the Term Loan. The Term Loan requires scheduled quarterly principal payments beginning March 31, 2021 in aggregate annual amounts equal to 2.50% for 2021 and 2022, 7.50% for 2023 and 2024, and 10.00% for 2025, in each case, on the Term Loan principal amount, with the balance due at maturity. In addition, the Credit Agreement includes certain customary prepayment requirements for the Term Loan, which are triggered by events such as asset sales, incurrence of indebtedness and sale leasebacks.

As of September 30, 2023 March 31, 2024, $7.3 million was outstanding under the Revolving Credit Facility in the form of outstanding letters of credit and $17.7 million remained available for borrowing by us. The outstanding letters of credit relate to security deposits for certain of our leased locations.

The Credit Agreement contains certain customary affirmative covenants and events of default. The negative covenants in the Credit Agreement include, among others, limitations on our ability (subject to negotiated exceptions) to incur additional indebtedness or issue additional preferred stock, incur liens on assets, enter into agreements related to mergers and acquisitions, dispose of assets or pay dividends and distributions. In addition, The Credit Agreement contains certain negative covenants for an indebtedness to consolidated EBITDA ratio, as defined by the Credit Agreement, and commencing with December 31, 2020 and all fiscal quarters thereafter through maturity. For the fiscal quarter ending December 31, 2020 ended March 31, 2024, we were and each fiscal quarter thereafter, the Company is required to maintain an indebtedness to consolidated EBITDA ratio of not more than 4.50, tested as of the last day of each fiscal quarter, with a step-down to 4.25 for the fiscal quarters ending March 31, 2022 and June 30, 2022, a further step-down to 4.00 for the fiscal quarters ending September 30, 2022 and December 31, 2022 and a final step-down to 3.75 for the fiscal quarter ending March 31, 2023 and each fiscal quarter thereafter (the “Financial Covenant”), subject to customary equity cure rights. The Financial Covenant is subject to a 0.50 step-up in the event of a material permitted acquisition, which we can elect to implement up to two times during the life of the facility. As of September 30, 2023 March 31, 2024, we have not elected to implement this set-up as a result of any of our acquisitions. If we are not in compliance with the covenants under the Credit Agreement or we otherwise experience an event of default, the lenders would be entitled to take various actions, including acceleration of amounts due under the Credit Agreement. As of September 30, 2023 March 31, 2024, we were in compliance with all applicable covenants, including the Financial Covenant.

The obligations under the Credit Agreement are guaranteed by our wholly-owned domestic subsidiaries and are secured by substantially all of the assets of the guarantors, subject to certain exceptions.

Total interest expense related to our indebtedness was $9.3 million $10.4 million and $26.1 million $8.1 million for the three and nine months ended September 30, 2023 March 31, 2024 and 2023, respectively.

Stock Repurchase Plan

On May 10, 2022, respectively, the board of directors authorized a general share repurchase program of the Company's Class A common stock of up to $200.0 million. On February 26, 2024, the board of directors authorized a new general share repurchase program of the Company's Class A common stock of up to $500.0 million with no fixed expiration (the "Stock Repurchase Plan") to replace the previous repurchase plan. During the three months ended March 31, 2024, the Company repurchased 0.3 million shares and $5.2 million and $11.0 million paid cash of $12.2 million, under the Stock Repurchase Plan through open market purchases. The weighted-average price per share for the share repurchases was $33.33 during the three and nine months ended September 30, 2022 March 31, 2024. As of March 31, 2024, respectively. approximately $487.8 million remained available for stock repurchase pursuant to the Stock Repurchase Plan.

Key Performance Indicators ("KPIs") and Non-GAAP Financial Measures

We review the following key performance indicators KPIs and non-GAAP financial measures to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Increases or decreases in our key performance indicators KPIs and non-GAAP financial measures may not correspond with increases or decreases in our revenue and our key performance indicators KPIs and non-GAAP financial measures may be calculated in a manner different from similar key performance indicators KPIs and non-GAAP financial measures respectively, used by other companies. We may, on occasion, revise our KPIs or non-GAAP financial measures to better align with the business, its operations, industry standards, or other considerations.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
Unique subscriptions (in thousands)		4,404		4,179		4,404		4,179
Total bookings (in thousands)	$	267,047	$	225,460	$	788,973	$	673,911
ARRR (in thousands)	$	1,013,481	$	861,399	$	1,013,481	$	861,399
ARPUS	$	226.05	$	206.38	$	226.05	$	206.38
Adjusted EBITDA (in thousands)	$	66,461	$	43,720	$	170,707	$	84,391
Unlevered free cash flow (in thousands)	$	54,131	$	42,122	$	175,992	$	124,034
GMV (in thousands)	$	1,498,163	$	1,411,002	$	4,557,697	$	4,502,828

	Three Months Ended March 31,			
	2024		2023	
Unique subscriptions (in thousands) (1)		4,912		4,264
Total bookings (in thousands)	$	325,946	$	265,789
ARRR (in thousands) (2)	$	1,117,659	$	941,860
ARPUS (1)	$	226.63	$	212.76
Adjusted EBITDA (in thousands)	$	32,011	$	30,863
Unlevered free cash flow (in thousands)	$	89,322	$	67,096
GPV (in thousands) (3)	$	1,649,457	$	1,534,058

(1) Unique subscriptions and average revenue per unique subscription ("ARPUS") do not account for single domain subscriptions originally sold by Google as a part of the Google Domains Asset Acquisition.

(2) Annual run rate revenue ("ARRR") for the three months ended March 31, 2023 has been recast to conform to the current period definition. Previously, ARRR was calculated using monthly revenue from subscription fees and revenue generated in conjunction with associated fees in the last month of the period multiplied by 12. We have since revised our calculation to use quarterly revenue from subscription fees and revenue generated in conjunction with associated fees in the last quarter of the period multiplied by 4 to normalize results for the run rate each quarter.

(3) "Gross payment volume" or "GPV" was previously presented as "Gross merchandise value" or "GMV" in prior period disclosures. There were no revisions to the calculation of GPV as a result of this nomenclature change.

Unique subscriptions. Unique subscriptions represent the number of unique sites, standalone scheduling subscriptions, Unfold (social) subscriptions and hospitality subscriptions, as of the end of a period. A unique site represents a single subscription and/or group of related subscriptions, including a website subscription and/or a domain subscription, and other subscriptions related to a single website or domain. Every unique site contains at least one domain subscription or one website subscription. For instance, an active website subscription, a custom domain subscription and a Google Workspace subscription that represent services for a single website would count as one unique site, as all of these subscriptions work together and are in service of a single entity's online presence. Unique subscriptions do not account for one-time purchases in Unfold or hospitality services or for our the Acquired Domain Assets. The total number of unique subscriptions is a key indicator of the scale of our business and is a critical factor in our ability to increase our revenue base.

Unique subscriptions increased 0.2 million 0.6 million, or 5.4% 15.2%, as of September 30, 2023 March 31, 2024 compared to the same period in 2022. This increase was 2023, primarily as a result of the stable retention of existing subscriptions and the continued acquisition of new subscriptions.

Total bookings. Total bookings includes cash receipts for all subscriptions purchased, as well as payments due under the terms of contractual agreements for obligations to be fulfilled. In the case of multi-year contracts, total bookings only includes one year of committed revenue. Total bookings provides insight into the sales of our solutions and the performance of our business because, for a large portion of our business, we collect payment at the time of sale and recognize revenue ratably over the term of our subscription agreements.

Total bookings increased $41.6 million, $60.2 million, or 18.4% 22.6%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022 2023, primarily as a result of the increase in our unique subscriptions as well as the impact of our the Acquired Domain Assets. Total bookings increased $115.1 million, or 17.1%, for the nine months ended September 30, 2023 compared to the same period in 2022 primarily as a result of the increase in our unique subscriptions and price increases across several of our subscription plans.

Annual run rate revenue ("ARRR"). We calculate ARRR as the monthly quarterly revenue from subscription fees and revenue generated in conjunction with associated fees (fees taken or assessed in conjunction with commerce transactions) in the last month quarter of the period multiplied by 12. 4. We believe that ARRR is a key indicator of our future revenue potential. However, ARRR should be viewed independently of revenue, and does not represent our GAAP revenue on an annualized basis, as it is an operating metric that can be impacted by subscription start and end dates and renewal rates. ARRR is not intended to be a replacement or forecast of revenue.

ARRR increased $152.1 $175.8 million, or 17.7% 18.7%, as of September 30, 2023 March 31, 2024 compared to the same period in 2022. This increase was 2023 primarily as a result of the retention increase in our unique subscriptions, the impact of existing subscriptions as well as the continued acquisition of new subscriptions Acquired Domain Assets, and price increases across several of our subscription plans.

Average revenue per unique subscription. We calculate ARPUS as the total revenue during the preceding 12-month period divided by the average of the number of total unique subscriptions at the beginning and end of the period. ARPUS does not account for Acquired Domain Assets or the revenue from Acquired Domain Assets. We believe ARPUS is a useful metric in evaluating our ability to increase prices, sell higher-value plans and add-on subscriptions.

ARPUS increased $19.67, $13.87, or 9.5% 6.5%, as of September 30, 2023 March 31, 2024 compared to the same period in 2022. The increase was 2023 primarily due to as a shift in revenue mix toward higher value subscription plans as well as result of price increases across several of our subscription plans. plans and increased attachment rates for certain commerce offerings, including our marketing and scheduling tools.

Adjusted EBITDA. Adjusted EBITDA is a supplemental performance measure that our management uses to assess our operating performance. We calculate adjusted EBITDA as net income/(loss)/income excluding interest expense, other loss/(income), /loss, net, provision for/(benefit from) income taxes, depreciation and amortization, stock-based compensation expense and other items that we do not consider indicative of our ongoing operating performance. The following is a reconciliation of adjusted EBITDA to the most comparable GAAP measure, net (loss)/income:

		Three Months Ended September 30,		Nine Months Ended September 30,			
	Three Months Ended March 31,					Three Months Ended March 31,	
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands) 2024	2023
Net (loss)/income		$(16,499)	$10,105	$(12,337)	$(18,259)		
Net income							
Interest expense	Interest expense	9,321	5,209	26,050	10,977		
Provision for income taxes		41,151	3,277	59,622	7,446		
Benefit from income taxes							
Depreciation and amortization	Depreciation and amortization	10,498	7,904	24,975	23,773		
Stock-based compensation expense	Stock-based compensation expense	28,317	24,094	79,922	75,051		
Other income, net		(6,327)	(6,869)	(7,525)	(14,597)		
Other (income)/loss, net							
Adjusted EBITDA	Adjusted EBITDA	66,461	43,720	170,707	84,391		

Adjusted EBITDA increased $22.7 $1.1 million, or 52.0% 3.7%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. This increase was 2023 primarily due to the increase in revenue, partially offset by increases in domain name registration fees, cash-based payroll and associated benefits, and advertising expenses. Adjusted EBITDA increased $86.3 million, or 102.3%, for the nine months ended September 30, 2023, compared to the same period in 2022. This increase was cost of revenue, primarily due to the increase in revenue and a reduction in advertising expenses, partially offset driven by increases in domain name registration fees, and cash-based payroll and associated benefits. increases in advertising expenses.

Unlevered free cash flow. Unlevered free cash flow is a supplemental liquidity measure that our management uses to evaluate our core operating business and our ability to meet our current and future financing and investing needs. We define unlevered free cash flow as cash flow from operating activities less cash paid for capital expenditures increased by

cash paid for interest expense net of the associated tax benefit. The following is a reconciliation of unlevered free cash flow to the most comparable GAAP measure, cash flows from operating activities:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
Three Months Ended March 31,								
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2024	2023
Cash flows from operating activities	Cash flows from operating activities	$ 53,325	$ 41,434	$ 170,027	$ 125,117			
Cash paid of capital expenditures		(5,974)	(3,117)	(13,141)	(8,852)			
Cash paid for capital expenditures								
Free cash flow	Free cash flow	47,351	38,317	156,886	116,265			
Cash paid for interest, net of the associated tax benefit	Cash paid for interest, net of the associated tax benefit	6,780	3,805	19,106	7,769			
Unlevered free cash flow	Unlevered free cash flow	$ 54,131	$ 42,122	$ 175,992	$ 124,034			

Unlevered free cash flow increased $12.0 $22.2 million, or 28.5% 33.1%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. This increase was 2023 primarily driven by the increase in bookings which was partially offset by increases in cash-based payroll and associated benefits and prepaid domain name registration fees, as well as the timing of other payments, including cash paid for the transaction service agreement related to the Google Domains Asset Acquisition. Unlevered free cash flow increased $52.0 million, or 41.9%, for the nine months ended September 30, 2023 compared to the same period in 2022. This increase was primarily driven by the increase in bookings partially offset by increases in cash-based payroll collections and associated benefits and prepaid domain name registration fees, as well as the timing of other payments.

Gross Merchandise Value Payment Volume. GMV GPV represents the value of physical goods and services, including content, and time sold, including hospitality services, and events, net of refunds, on our platform over a given period of time. GMV

GPV processed on our platform increased $87.2 million $115.4 million, or 6.2% 7.5%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022 2023 primarily due to GPV from our scheduling product as well as increased transaction volume commerce transactions occurring on our customers' Business plan sites. GMV processed on our platform increased $54.9 million, or 1.2%, for the nine months ended September 30, 2023 compared to the same period in 2022 primarily due to certain hospitality services as well as increased transaction volume on our customers' Business plan sites. websites.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements. Management's estimates are based on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Our critical accounting policies have not significantly changed during the nine three months ended September 30, 2023 March 31, 2024. See "Part

"Part "Part I. Financial Information, Item 1. Financial Statements (Unaudited), Note 2. Summary of Significant Accounting Policies" elsewhere in this Quarterly Report on Form 10-Q for more information.

Recently Issued Accounting Standards

A discussion of recent accounting pronouncements is included in "Part I. Financial Information, Item 1. Financial Statements (Unaudited), Note 2 2. Summary of Significant Accounting Policies" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Implications of Being an Emerging Growth Company

As a company with less than $1.235 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include that:

- we are required to include only reduced disclosure in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- we are not required to engage an auditor to report on our internal controls over financial reporting pursuant to Section 404(b);
- we are not required to submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay,” “say-on-frequency” and “say-on-golden parachutes”; and
- we are not required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to our median employee compensation.

We may take advantage of these provisions until the last day of the fiscal year following the fifth anniversary of the effectiveness of the registration statement on Form S-1 filed with the SEC on May 19, 2021 or such earlier time that we are no longer an emerging growth company.

Under the JOBS Act, emerging growth companies also can delay adopting new or revised accounting standards until such time as those standards would otherwise apply to private companies. We currently take advantage of this exemption.

For risks related to our status as an emerging growth company, see “Part II. Item 1A.Risk Factors, Risks Related to our Business and Industry." We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign currency exchange risk

While we generate the majority of our revenue in U.S. dollars, a portion of our revenue is denominated in Euros. For the three and nine months ended September 30, 2023, 71.7% March 31, 2024 and 2023, 71.5% and 71.6% of our revenue was denominated in U.S. dollars, respectively, and 72.3% and 71.5% for the same periods in 2022, respectively. For the three and nine months ended September 30, 2023, 28.3% March 31, 2024 and 2023, 28.5% and 28.4% of our revenue was denominated in Euros, respectively. As a result, changes in foreign currency exchange rates can have an impact on our results of operations. Transaction gains/(losses) for the three months ended March 31, 2024 and 2023 were $1.5 million and $(1.9) million, respectively, and 27.7% and 28.5% for are included in other income/(loss), net in the same periods in 2022, respectively. condensed consolidated statements of operations. As we expand globally, we will be further exposed to fluctuations in currency exchange rates.

In addition, the The assets and liabilities of our international subsidiaries are denominated in the local currencies of the subsidiaries. countries in which they operate. Accordingly, assets and liabilities of the subsidiary our subsidiaries are translated into U.S. dollars at exchange rates in effect on the applicable balance sheet date. Income and expense items are translated at average exchange rates for the applicable period. As a result, our results of operations will be impacted by any increase or decrease Foreign currency translation adjustments are included in accumulated other comprehensive loss in the value of the foreign currencies relative to the U.S. dollar. Transaction gains/(losses) for the three and nine months ended September 30, 2023 were $4.1 million and $2.8 million, respectively, and for the three and nine months ended September 30, 2022 were $6.3 million and $13.8 million, respectively. condensed consolidated balance sheets.

We currently do not hedge foreign currency exposure. We may in the future hedge our foreign currency exposure and may use currency forward contracts, currency options or other common derivative financial instruments to reduce foreign currency risk. It is difficult to predict the effect that future hedging activities would have on our operating results. results of operations.

Interest rate sensitivity

We had cash equivalents and marketable securities totaling $154.1 $231.1 million as of September 30, 2023 March 31, 2024. Our cash equivalents are held for working capital purposes. Our purposes and investments in marketable securities are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes. Our cash equivalents and our portfolio of marketable securities 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. 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.

Borrowings under the Credit Agreement were are subject to an interest rate equal to, at our option, LIBOR SOFR or ABR, in either case, plus an applicable margin. Effective June 30, 2023, LIBOR as the benchmark rate was replaced with SOFR. Based on the outstanding balance of the Credit Agreement as of September 30, 2023 March 31, 2024, for every 100 basis point increase in SOFR or ABR, we would incur approximately $5.8 million $5.6 million of additional annual interest expense. We currently do not hedge interest rate exposure. We may in the future hedge our interest rate exposure and may use swaps, caps, collars, structured collars or other common derivative financial instruments to reduce interest rate risk. It is difficult to predict the effect that future hedging activities would have on our operating results. results of operations.

Credit risk

We maintain components of our cash and cash equivalents balance in various accounts, which from time to time exceed the federal depository insurance coverage limit. In addition, substantially all of our cash and cash equivalents, as well as our marketable securities, are held by three four financial institutions that we believe are of high credit quality. We have not experienced any losses on our deposits of cash and cash equivalents and accounts are monitored by our management team to mitigate risk. We are exposed to credit risk in the event of default by the financial institution holding our cash and cash equivalents or an event of default by the issuers of the any corporate bonds and commercial paper we hold.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures", as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files

or submits under the Exchange Act is recorded, processed, summarized and reported, in the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to

ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023 March 31, 2024, the end of the period covered by the Quarterly Report on Form 10-Q. Based on the evaluation of our disclosure controls and procedures our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were operating effectively and our management has concluded that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that occurred during the period covered by the 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, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives. However, in designing and evaluating the disclosure controls and procedures, our management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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, in our Company have been detected.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may be involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, financial condition and results of operations.

Item 1A. Risk Factors

RISK FACTORS

A description of the risks and uncertainties associated with our business is set forth below. You should consider carefully the risks and uncertainties described below, together with the financial and other information contained in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes. If any of the following risks or uncertainties actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the market price of our Class A common stock could decline and you may lose all or a part of your investment. The risks discussed below are not the only risks we face. Additional risks or uncertainties not currently known to us, or that we currently deem immaterial, may also have a material adverse effect on our business, financial condition and results of operations.

Risk Factor Summary

We are providing the following summary of the risk factors contained in this Quarterly Report on Form 10-Q to enhance the readability and accessibility of our risk factor disclosures. We encourage you to carefully review the full risk factors contained in this Quarterly Report on Form 10-Q in their entirety for additional information regarding the material factors that make an investment in our securities speculative or risky. These risks and uncertainties include, but are not limited to, the following:

- Our business, financial condition and results of operations will be harmed if we are unable to attract and retain customers and expand their use of our platform.
- If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our solutions in a manner that responds to our customers' evolving needs, our business, financial condition and results of operations may be adversely affected.
- Our industry is highly competitive and we may not be able to compete successfully against current and future competitors.
- The COVID-19 pandemic has affected how we, our providers, and consumers operate and the extent to which this will affect our business, future results of operations, and financial condition remains uncertain.
- The Squarespace brand is integral to our success. If we fail to protect or promote our brand, our business, financial condition and results of operations may be harmed.
- Our business, financial condition and results of operations would be adversely affected if our marketing and selling activities fail to generate new customers at the levels that we anticipate or fail to generate new customers on a cost-effective basis.
- We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.
- We depend on highly skilled personnel, and if we are unable to hire, integrate and retain our personnel, we may not be able to address competitive challenges.
- We rely heavily on the reliability, security and performance of our software. If our software contains serious errors or defects, or we have difficulty maintaining the software, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers.
- Our business, financial condition and results of operations would be harmed if changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers adversely impact the process by which customers interface with our platform and users interface with our customers' sites.
- We are subject to privacy and data protection laws and regulations as well as contractual privacy and data protection obligations. Our failure to comply with these or any future laws, regulations or obligations could subject us to sanctions and damages and could harm our reputation, business, financial condition and results of operations.
- Our business is susceptible to risks associated with international sales and the use of our platform in various countries as well as our ability to localize our platform in such countries.

- The trading price of our Class A common stock may be volatile and could decline significantly and rapidly regardless of our operating performance.
- The multi-class structure of our common stock has the effect of concentrating voting control with those stockholders who hold our Class B common stock, including our Founder and Chief Executive Officer limiting your ability to influence corporate matters.

Risks Related to our Business and Industry

Our business, financial condition and results of operations will be harmed if we are unable to attract and retain customers and expand their use of our platform.

We have experienced growth in recent years, due in large part to sustained subscription growth and retention, including customers who expand their use of our platform over time. We offer two payment options for most of our subscription plans: monthly annual and annual. monthly. Customers' subscriptions currently renew automatically at the end of each monthly annual or annual monthly period, as applicable, but the customer is free to disable automatic renewal or cancel the subscription at any time. As a result, even though the number of unique subscriptions to our platform has grown in recent years, there can be no assurance that we will be able to retain unique subscriptions beyond the existing monthly annual or annual monthly subscription periods. In addition, any limitation or restriction imposed on our ability to bill our customers on a recurring basis, whether due to new regulations or otherwise, may significantly lower our unique subscription retention rate.

A number of factors could impact our ability to attract and retain customers and expand our customers' use of our platform, including:

- the quality and design of our solutions compared to other similar solutions;
- our ability to develop new technologies or offer new or enhanced solutions;
- the pricing of our solutions compared to our competitors;
- the reliability and availability of our customer support;
- our ability to provide value-added third-party applications, solutions and services that integrate into our platform;
- any perceived or actual security, reliability, quality or compatibility problems with our solutions, including those related to system outages, unscheduled downtime and the impact of cyber-attacks on customers' data;
- our ability to expand into new geographic regions; and
- the cost and effectiveness of our marketing campaigns.

We have historically experienced customer turnover as a result of general economic conditions and other risks affecting our customers' businesses or needs. Many of these customers are in the entrepreneurial stage of their development and there is no guarantee that their businesses will succeed. Other customers may be looking for a shorter-term solution for a specific event. Our costs associated with renewals are substantially lower than costs associated with generating new unique subscriptions. Therefore, a reduction in retention of our unique subscriptions, even if offset by an increase in new unique subscriptions, could adversely impact our business, financial condition and results of operations. Moreover, any volatile or uncertain economic conditions and any resulting decrease in business formation or failures of SMBs small businesses could affect our ability to generate new unique subscriptions or retain existing unique subscriptions.

Additionally, our growth rate may decline over time even though the number of unique subscriptions on our platform increases. As our growth rate declines, investors' perception of our business, financial condition and results of operations may be adversely affected. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to retain revenue from existing unique subscriptions and increase sales to existing customers.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our solutions in a manner that responds to our customers' evolving needs, our business, financial condition and results of operations may be adversely affected.

The markets in which we compete are characterized by constant change and innovation, and we expect them to continue to evolve rapidly. The success of our business will depend, in part, on our ability to adapt and respond effectively to changing market dynamics on a timely basis while continuing to improve and enhance the functionality, performance, reliability, design, security and scalability of our solutions. If we are unable to develop new and upgraded solutions that satisfy our customers and that keep pace with rapid technological and industry change, our business, financial condition and results of operations could be adversely affected.

The process of developing new technology is complex and uncertain. If we fail to accurately predict customers' changing needs or emerging technological trends, or we otherwise fail to achieve the benefits expected from our investments in technology, our business, financial condition and results of operations could be harmed. The development of new and upgraded solutions involves a significant amount of time and effort from our research and development team, as it

can take months to update, code and test new and upgraded solutions and integrate them into our existing solutions. Further, our design team spends a significant amount of time and resources in order to incorporate various design elements and other features into any new and upgraded solutions. The introduction of these new and upgraded design and functional features often involves a significant amount of marketing spend. We must also manage our existing solutions as we continue to introduce new solutions. Given this complexity, we occasionally have experienced, and could experience in the future, delays in completing the development and introduction of new and upgraded solutions.

Our industry is highly competitive, and we may not be able to compete successfully against current and future competitors.

The market for providing SaaS-based software as a service based website design and management software is evolving and we face competition in various aspects of our business, which we expect to intensify in the future as existing and new competitors introduce new solutions or enhance existing solutions. We also compete with specific providers offering services or products that overlap with parts of our solutions, including online presence solutions, e-commerce solutions, domain registration and website hosting services, email marketing solutions, scheduling solutions and reservation and restaurant management hospitality solutions. Some of our competitors have longer operating histories, larger customer bases, greater brand recognition, more extensive commercial relationships and greater financial and other resources than we do.

New or existing competitors may be able to develop solutions better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or requirements of our customers and their users. In addition, some larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could increase customer churn, cause us to lose potential sales or reduce prices to remain competitive.

Competition may also intensify as our competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic regions expand into our market segments or geographic regions. For instance, certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage by integrating competing platforms or features into solutions they control such as search engines, web browsers, mobile device operating systems or social networks or by making access to our platform more difficult. We also expect new entrants to offer competitive solutions. If we cannot compete successfully against current and future competitors, our business, financial condition and results of operations could be negatively impacted.

The COVID-19 pandemic has affected how we, our providers, and consumers operate and the extent to which this will affect our business, future results of operations, and financial condition remains uncertain.

In response to the COVID-19 pandemic, we took a number of actions that impacted and may continue to impact our business, financial condition and results of operations, including transitioning employees across all our offices (including our corporate headquarters) to remote or hybrid work-from-home arrangements. While we believe these actions were reasonable and necessary as a result of the COVID-19 pandemic, they were disruptive to our business. At present we support remote, hybrid and fully office based arrangements for our employee base. We may have to take additional actions in the future that could further disrupt our business. While we have a distributed workforce and our employees are accustomed to working remotely or working with remote employees, our workforce has not historically been fully remote. Doing less business in-person may impact our ability to preserve our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. Our management team has spent, and may continue to spend, significant time, attention and resources monitoring workplace-related changes and seeking to manage the effects on our business and workforce. It is not possible for us to predict the duration and extent to which this will affect our business, future results of operations, and financial condition at this time.

Our business, financial condition and results of operations could be harmed if we fail to manage our growth effectively.

The growth that we have experienced places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and our ability to handle increased traffic and demand for bandwidth. The growth in the number of unique subscriptions on our platform and the number of orders processed through our platform has increased the amount of data and requests processed. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance our scalability in order to maintain the performance of our platform. The growth that we have experienced places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and our ability to handle increased traffic and demand for bandwidth. The growth in the number of unique subscriptions on our platform and the number of orders processed through our platform has increased the amount of data and requests processed. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance our scalability in order to maintain the performance of our platform.

Our growth has also placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand the business, including into new geographic regions, with no assurance that our revenue will continue to grow. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower or may develop more slowly than we expect. Unless our growth results in an increase in our revenues that is proportionate to, or greater than, the increase in our costs associated with this growth, our profitability may be adversely affected. As we grow, we will be required to continue to improve our operational and financial controls, management information systems and reporting procedures and we may not be able to do so effectively.

The Squarespace brand is integral to our success. If we fail to protect or promote our brand, our business, financial condition and results of operations may be harmed.

We believe that protecting, maintaining and enhancing the Squarespace brand is integral to our success, particularly as we seek to attract new customers. Protecting, maintaining and enhancing our brand will depend largely on our ability to continue to provide design-focused and differentiated solutions, which we may not do successfully. The value of our brand may decline if we are unable to maintain the image of the Squarespace brand as design-focused. Successfully maintaining our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide a reliable and useful platform to meet the needs of our customers, our ability to maintain our customers' trust and our ability to continue to

develop and successfully differentiate our solutions. Errors, defects, disruptions or other performance problems with our solutions, including with third-party services accessed through our platform, may harm our reputation and brand. Unfavorable media coverage, negative publicity or negative public perception about us or our marketing efforts, our industry, the quality and reliability of our platform or our privacy and security practices may also harm our reputation and our brand. If events occur that damage our reputation and brand, our ability to expand our subscription base may be impaired, and our business, financial condition and results of operations may be harmed.

We also believe that the importance of brand recognition will increase as competition in our market increases and the promotion of our brand may require substantial expenditures. We have invested, and may continue to invest, substantial resources to increase our brand awareness, both generally and in specific geographies and to specific customer groups. There can be no assurance that our brand development strategies and investment of resources will enhance recognition of the Squarespace brand or lead to an increased customer base. Furthermore, our international branding efforts may prove unsuccessful due to language barriers and cultural differences. If our efforts to protect and promote our brand are not successful, our business, financial condition and results of operations may be adversely affected. In addition, even if brand recognition and loyalty increases, revenue may not increase at a level commensurate with our marketing spend.

Our business, financial condition and results of operations would be adversely affected if our marketing and selling activities fail to generate new customers at the levels that we anticipate or fail to generate new customers on a cost-effective basis.

We use a variety of marketing channels to promote our brand, including online keyword search, sponsorships and celebrity endorsements, television, podcasts, print and online advertising, email and social media marketing. If we lose access to one or more of these channels because the costs of advertising become prohibitively expensive or for other reasons, we may not be able to promote our brand effectively, which could limit our ability to grow our business. In addition, in order to maintain our current revenues and grow our business, we need to continuously optimize our marketing campaigns aimed at acquiring new customers. However, we may fail to accurately predict customer interest and, as a result, fail to generate the expected return on marketing spend. An unexpected increase in the marginal acquisition cost of new customers may have an adverse effect on our ability to grow our subscription base. We have and may in the future invest a significant portion of our marketing expenses in more traditional advertising and promotion of our brand, including through out-of-home campaigns and television commercials, the effectiveness of which is more difficult to track than online marketing. If these marketing activities fail to generate traffic to our website, attract potential customers and lead to new and renewed subscriptions at the levels we anticipate, our business, financial condition and results of operations would be adversely affected.

If demand for our solutions does not meet expectations, our ability to generate revenue could be adversely affected.

Although we expect continued demand from individuals and businesses for our solutions, it is possible the rate of growth may not meet our expectations, or the market may not grow. Our expectations for future revenue growth are based in part on assumptions reflecting our industry knowledge and experience serving individuals and businesses, as well as our assumptions regarding demographic shifts, growth in the availability and capacity of internet infrastructure internationally and the general economic climate. If any of these assumptions proves to be inaccurate, including as a result of the extent of current global economic uncertainty, our growth could be significantly lower than expected.

Our ability to compete successfully depends on our ability to offer an integrated and comprehensive platform enabling a diverse base of customers to start, grow and run their businesses or promote their brand. The success of our solutions is predicated on the assumption that an online presence is, and will continue to be, an important factor in our customers' abilities to establish, expand and manage their brand and business quickly, easily and affordably. If we are incorrect in this assumption, for example due to the introduction of a new technology or industry standard superseding the importance of an online presence or rendering our existing or future solutions obsolete, then our ability to retain existing customers and attract new customers could be adversely affected, which could harm our business, financial condition and results of operations.

If we fail to maintain a consistently high level of customer support, our brand, business, financial condition and results of operations may be harmed.

We believe our focus on customer support is critical to acquiring new customers, retaining existing customers and growing our business. As a result, we have invested heavily in the quality and training of our Customer Operations team along with the tools they use to provide this service. If we are unable to maintain a consistently high level of customer

support, we may lose existing customers. In addition, our ability to attract new customers and increase unique subscriptions depends, in part, on the support we provide to customers as well as positive recommendations from our existing customers. Any failure to maintain a consistently high level of customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our brand, business, financial condition and results of operations.

Our pricing decisions may adversely affect our ability to attract and retain customers.

We have from time to time changed our overall pricing model or the various price points of our subscription plans and add-on services and expect to do so in the future. However, no assurance can be given that any new pricing model or price points will be optimal and not result in loss of customers or profits. In addition, as competitors introduce new solutions, we may be unable to attract new customers at the price or based on the pricing models we currently use and we may be required to reduce prices. Individuals and small businesses, which comprise the majority of customers on our platform, could be sensitive to price increases or swayed by more attractive prices offered by competitors. We also must determine the appropriate price to enable us to compete effectively internationally. Any of these developments could negatively impact our business, financial condition and results of operations.

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

From time to time, we evaluate potential strategic acquisition or investment opportunities and we have completed various strategic acquisitions in recent periods. periods, including the acquisition of Google Domains. Any future transactions that we enter into could be material to our business, financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- retention and integration of employees from an acquired company, including potential risks or challenges to our corporate culture;
- failed or inadequate migration, integration and retention of acquired customers or subscriptions;
- implementation or remediation of controls, procedures and policies of an acquired company;
- difficulty integrating the accounting systems and operations of an acquired company;
- coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with incorporating the acquired company's solutions and infrastructure with our existing solutions and infrastructure and difficulties converting the customers of the acquired company onto our platform; infrastructure;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- in the case of foreign acquisitions, the need to integrate operations and workforces across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be, and in the past have been, required to take charges on our operating results based on this impairment assessment process, which could adversely affect our business, financial condition and results of operations.

Future acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect the trading price of our Class A common stock, result in issuances of securities with superior rights and preferences to our Class A common stock or result in the incurrence of debt with restrictive covenants that limit our operating flexibility.

We may not be able to identify future acquisition or investment opportunities that meet our strategic objectives, or to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. Acquisitions we complete may not ultimately strengthen our competitive position or achieve our strategic objectives, and any acquisitions we complete could be viewed negatively by investors. To pay for any such acquisition, we may have to use cash or incur debt, both of which may affect our financial condition or the trading price of our Class A common stock.

We depend on highly skilled personnel, and if we are unable to hire, integrate and retain our personnel, we may not be able to address competitive challenges.

Our future success will depend upon our continued ability to attract, hire, integrate and retain highly skilled personnel, including senior management, engineers, designers, product managers, finance, and legal personnel and customer support. Competition for highly skilled personnel is intense. We compete with many other companies for engineers, designers and product managers with meaningful experience in designing, developing and managing software, as well as for skilled marketing, operations and customer support professionals, and we may not be successful in attracting and retaining the professionals we need. We may need to invest significant amounts of cash and equity to attract and retain new

and highly skilled employees, and may never realize returns on these investments. In addition, we are limited in our ability to recruit global talent for our U.S. offices by U.S. immigration laws, including those related to H1-B visas. If we are not able to effectively hire, train and retain employees, our ability to achieve our strategic objectives will be adversely impacted and our business, financial condition and results of operations will be harmed.

At present we support remote, hybrid and fully office based arrangements for our employee base. While we have a distributed workforce and our employees are accustomed to working remotely or working with remote employees, our workforce has not historically been fully remote. Doing less business in-person may impact our ability to preserve our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. Our management team has spent, and may continue to spend, significant time, attention and resources monitoring workplace-related changes and seeking to manage the effects on our business and workforce.

In addition to hiring and integrating new employees, we must continue to focus on retaining our key employees who foster and promote our innovative corporate culture. Our future performance depends on the continued services and contributions of our Founder and Chief Executive Officer, Mr. Casalena, who is critical to the development of our business and growth strategy, in addition to other key employees to execute on our business plan and to identify and pursue new opportunities and solutions. The failure to properly develop or manage succession plans or develop leadership talent or the loss of services of key employees could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not have fixed term agreements with our executive officers or other key personnel that require them to work beyond a standard notice period; therefore, they could terminate their employment with us at any time. The loss of one or more of our key employees (including any limitation on the performance of their duties or short term or long term absences as a result of illness) could adversely affect our business, financial condition and results of operations.

We primarily rely on a single supplier to process payments from our customers and we integrate with a limited number of suppliers to process transactions from users.

The success of our platform depends, in part, on our ability to integrate and offer third-party services to our customers. In particular, we use Stripe, Inc. (“Stripe”) to process our transactions with our customers and we offer payment processing integrations through Stripe, PayPal Holdings, Inc. (“PayPal”) and Block, Inc. (“Block”). We also use Stripe to process transactions for our native payment solution. While we offer our customers access to three payment processing integrations and our native payment solutions solution through which to charge their users, disruptions or problems with the relevant services provided by any of these companies Stripe, PayPal or Block could have an adverse effect on our reputation, business, financial condition and results of operations. If Further, if Stripe PayPal or Block any of the other payment service providers we use were to terminate, or materially alter, its relationship with us or become unable to continue processing payments on our behalf, we could experience an impact to our financial results or incur substantial delays and expense in finding and integrating an alternative payment service provider to process payments from our customers and their users, and the quality and reliability of any such alternative payment service provider may not be comparable.

If we cannot maintain the compatibility of our platform and solutions with third-party applications or content or if the third-party applications that we offer fail to keep pace with competitors’ offerings, demand for our platform and solutions could decline.

In addition to offering our customers access to Stripe and other payment solutions, we offer our customers access to third-party applications for order fulfillment, accounting and other business services as well as third-party content. Third-party application providers may change the features of their applications and third-party content providers and application providers may change how others can access the application or content or alter the terms governing use of their applications or content in an adverse manner. Such changes could limit, restrict or terminate our access to their applications and content, which could negatively impact our solutions and harm our business, financial condition and results of operations. In addition, competitors may offer better functionality than the third-party applications integrated into our platform. If we fail to integrate new third-party applications and content that our customers need for their online presence or to develop them directly, we may not be able to offer the functionality that our customers expect, which would negatively impact our solutions and, as a result, harm our business, financial condition and results of operations.

We rely heavily on the reliability, security and performance of our software. If our software contains serious errors or defects, or we have difficulty maintaining the software, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers.

The reliability and continuous availability of our platform is critical to our success. However, software such as ours often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Any third-party software we incorporate into our platform may have similar deficiencies. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, and any ensuing disruptions could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage

to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, our platform is cloud-based, which allows us to deploy new versions and enhancements to all of our customers simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of customers. In addition, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition and results of operations, as well as our reputation, may be adversely affected.

Since customers may use our solutions for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in losses to our customers. Customers may seek significant compensation from us for any losses they suffer or they may cease conducting business with us altogether. Further, a customer could share information about bad experiences on social media, which could result in damage to our reputation. There can be no assurance that provisions typically included in agreements with our customers that attempt to limit exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming, divert management’s attention and be costly to defend and could seriously damage our reputation and brand, making it harder to sell our solutions.

We rely on search engines, social networking sites and online streaming services to attract a meaningful portion of our customers, and if those search engines, social networking sites and online streaming services change their listings or policies regarding advertising, or increase their pricing or suffer problems, it may limit our ability to attract new customers.

Many customers locate our platform through internet search engines, such as Google, and advertisements on social networking sites and online streaming services, such as Facebook Instagram and YouTube as an alternative to typing our website address directly into a web browser navigation bar. If Changes in these customer behaviors or practices may potentially result in reduced traffic to our website. Moreover, if we are listed less prominently or fail to appear in search results for any reason, visits to our website could decline significantly, and we may not be able to replace this traffic. Search engines revise their algorithms from time to time in an attempt to optimize their search results. If the search engines on which we rely for algorithmic listings modify their algorithms, we may appear less prominently or not at all in search results, which could result in reduced traffic to our website that we may not be able to replace. Additionally, if the costs of search engine marketing services, such as Google AdWords, increase, we may incur additional marketing expenses, we may be required to allocate a larger portion of our marketing spend to this channel or we may be forced to attempt to replace it with another channel (which may not be available at reasonable prices, if at all), and our business, financial condition and results of operations could be adversely affected.

Furthermore, competitors may bid on our brand names and other search terms that we use to drive traffic to our website. Such actions could increase our marketing costs and result in decreased traffic to our website. In addition, search engines, social networking sites and video streaming services may change their advertising policies from time to time. If any change to these policies delays or prevents us from advertising through these channels, it could result in reduced traffic to our website and sales of our solutions. Additionally, new search engines, social networking sites, video streaming services and other popular digital engagement platforms may develop in specific jurisdictions or more broadly that reduce traffic on existing search engines, social networking sites and video streaming services. Moreover, changes in customer behavior and practices, like the use of voice recognition technology as an alternative to using traditional search engines, may potentially result in reduced traffic to our website. If we are not able to achieve awareness through advertising or otherwise, we may not achieve significant traffic to our website.

Our business, financial condition and results of operations would be harmed if changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers adversely impact the process by which customers interface with our platform and users interface with our customers' sites.

We believe that our integrated web and mobile platform has helped us to grow our customer base. In addition to offering customers mobile-optimized websites created on our platform, we offer mobile apps that enable customers to monitor analytics, fulfill orders and create, edit and manage content from their mobile devices, among other things. In the future, mobile Mobile and desktop operating system providers, such as Microsoft, Google, Apple or any other provider of internet browsers, could introduce new features that would make it difficult for customers to use our platform, change existing browser specifications such that they would be incompatible with our platform, prevent users from accessing customers' sites or limit or preclude our marketing efforts. In addition, we are subject to the standard policies and terms of service of these providers, which may change in the future. We may incur additional costs in order to adapt our platform to other operating systems and may face technical challenges adapting our solutions to different versions of already-supported operating systems, such as Android variants offered by different mobile phone manufacturers, and we may face technical challenges adapting to new hardware and software on the Android and iOS platforms. Any changes to technologies used in our platform, to existing features that we rely on or to operating systems or internet browsers that make it difficult for customers to access our platform or visitors to access our customers' sites, may make it more difficult for us to maintain or increase our revenue and could adversely impact our business, financial condition and results of operations. Moreover, as the mobile technology industry is characterized by changes in customer preferences and the emergence of new industry

customers increasingly expect to be able to purchase standards and use our solutions on their mobile device or via our mobile apps, our practices. Our future prospects could be harmed or if we could face increased costs fail to build out address such changes on a timely basis and maintain this functionality. in a cost-effective manner. The use of our apps is also subject to applicable terms of use of third-party app stores. If we are unable to maintain availability on these third-party app stores or update our applications on these stores, our business, financial condition and results of operations may be harmed.

We use a limited number of cloud service providers, infrastructure providers and data centers to deliver our solutions. Any disruption of service by these providers or at these facilities could harm our business, financial condition and results of operations.

We currently rely on a limited number of cloud service providers and third-party data center facilities. While we engineer and architect the systems upon which our platform runs, and own the hardware installed at the data centers on which we rely, we do not control the operation of these facilities. We also obtain cloud storage and computing from Amazon and Google. We have experienced, and may in the future experience, failures at the third-party data centers where our hardware is deployed. Data centers are vulnerable to damage or interruption from human error, cyber-crimes, computer viruses and other intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. Similarly, if we are unable to utilize cloud services from Amazon or Google, we could experience delays or disruptions. The occurrence of any of these events or other unanticipated problems with these providers or at these facilities could result in loss of data (including personal information), lengthy interruptions in the availability of our solutions and harm to our reputation and brand.

While our third-party data center and cloud provider agreements may include automatic renewal provisions, these service providers have no obligation to renew the agreements on commercially reasonable terms or at all. In addition, a timely notice of intent not to renew under one or more of these agreements may not provide us with adequate time to transfer operations and may cause disruptions to our platform. Similarly, service providers of other aspects of our critical infrastructure, such as private network connectivity, content delivery, DDoS mitigation, domain registration and domain name servers, among others, are under no obligation to continue to provide these services after the expiration of the respective service agreements, nor are they obligated to renew the terms of those agreements. If we were required to move our equipment to a new facility, move cloud platforms or migrate to a new critical infrastructure vendor without adequate time to plan and prepare for such a migration, we would face significant challenges due to the technical complexity, risk and high costs of the relocation or migration. If we are unable to renew these agreements on commercially reasonable terms, or if the service providers close such facilities or cease providing such services, we may be required to transfer to new service providers and may incur costs and possible service interruption in connection with doing so.

Our business depends on our customers' continued and unimpeded access to the internet and the development and maintenance of the internet infrastructure. Internet service providers may be able to block, degrade or charge for access to certain of our solutions, which could lead to additional expenses and the loss of customers.

Our success depends upon the general public's ability to access the internet and continued willingness to use the internet as a means to pay for purchases, communicate, access social media and research and conduct commercial transactions, including through mobile devices. If consumers or sellers become unable, unwilling or less willing to use the internet for commerce for any reason, including lack of access to high-speed communications equipment, internet outages or delays, disruptions or other damage to sellers' and consumers' computers, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, our business, financial condition and results of operations could be adversely affected.

Currently, internet access is provided by companies that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the internet, including changes to laws or regulations impacting internet neutrality, could decrease the demand for our solutions, increase our operating costs, require us to alter the manner in which we conduct our business or otherwise adversely affect our business, financial condition and results of operations. We could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business, financial condition and results of operations. For example, paid prioritization could enable internet service providers to impose higher fees. Public opinion towards internet infrastructure, mobile connected devices and other similar technological advancements is rapidly evolving and such industries have faced criticism in the past. We cannot be certain that the public will continue to support existing or new technologies on which we, our service providers, our customers and their users rely or may come to rely. If our industry loses public interest and support, it could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.

Intellectual property rights are important to our business. We rely on a combination of trade secret, copyright, patent and trademark laws as well as contractual provisions, such as confidentiality clauses, to protect our proprietary technology,

know-how, brand and other intellectual property, all of which offer only limited protection. While it is our policy to protect

and defend our intellectual property, the steps we take may be inadequate to prevent infringement, misappropriation, dilution or other potential violations of our intellectual property rights or to provide us with any competitive advantage. Further, the laws of foreign countries may not provide as much protection to intellectual property as exists in the United States. For example, some license provisions protecting against unauthorized use, copying, transfer and disclosure of our solutions may be unenforceable or otherwise limited under the laws of certain jurisdictions and foreign countries. Moreover, policing unauthorized use of our intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. To the extent we expand our international activities, our exposure to unauthorized copying and use of our intellectual property and proprietary information may increase. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite the precautions taken by us, it may be possible for unauthorized third-parties to copy or reverse engineer our solutions and use information that we regard as proprietary to create solutions that compete with those offered by us.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to, or ownership of, our proprietary information and technology or providing adequate remedies for unauthorized use or disclosure of such information or technology. Further, these agreements do not prevent competitors from independently developing technologies that are substantially equivalent or superior to our solutions. Additionally, from time to time we may be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including but not limited to trademark applications. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third-parties may have already registered or otherwise acquired rights to identical or similar marks for solutions that also address the software market. Any of the pending or future trademark applications and any future patent applications, whether or not challenged, may not be issued with the scope of the claims we seek, if at all. There can be no guarantee that additional trademarks will issue from pending or future applications, that patents will issue from future applications, if any, or that any issued patents or trademarks will not be challenged, invalidated, circumvented or declared invalid or unenforceable, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. We rely on our brand and trademarks to identify our solutions to our customers and to differentiate our solutions from those of our competitors. If we are unable to adequately protect our trademarks, third-parties may use brand names or trademarks similar to ours in a manner that may cause confusion or dilute our brand names or trademarks, which could decrease the value of our brand.

From time to time, we may discover that third-parties are infringing, misappropriating or otherwise violating our intellectual property rights. However, policing unauthorized use of our intellectual property and misappropriation of our technology is difficult and we may therefore not always be aware of such unauthorized use or misappropriation. In addition, litigation brought to protect and enforce our intellectual property rights can be costly, time-consuming or distracting to management and could result in the impairment or loss of rights or privileges associated with our intellectual property. As a result, we may be aware of infringement by competitors but may choose not to bring litigation to enforce our intellectual property rights due to the cost, time or distraction of bringing such litigation. Furthermore, even if we decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services and technology or the enforceability of our intellectual property rights. As a result, despite efforts by us to protect our intellectual property rights, unauthorized third-parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property or technology or otherwise develop solutions with the same or similar functionality as our solutions. If competitors infringe, misappropriate or otherwise violate our intellectual property rights and we are not adequately protected or elect not to litigate, or if competitors are able to develop solutions with the same or similar functionality without infringing our intellectual property, our competitive position, business, financial condition and results of operations could be harmed.

Claims by third-parties of intellectual property infringement, regardless of merit, could result in litigation and materially adversely affect our business, financial condition and results of operations.

The software industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. Third-parties have asserted, and may in the future assert, that our platform, solutions, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have.

Additionally, non-practicing entities may make claims of infringement and attempt to extract settlements from companies like us, and such entities are unlikely to be deterred by a patent portfolio of any size because their sole or primary business is the assertion of patent claims. The risk of claims may increase as the number of solutions we offer and the number of competitors increases and overlaps occur. In addition, to the extent we gain greater visibility and market exposure, we face a higher risk of being the subject of intellectual property infringement claims. If it appears necessary or

desirable, we may seek to license intellectual property that our solutions are alleged to infringe. If required licenses cannot be obtained, litigation could result.

Regardless of merit, litigation is inherently uncertain and defending intellectual property claims is costly, can impose a significant burden on management and employees, can disrupt the conduct of our business and can have an adverse effect on our brand, business, financial condition and results of operations. The terms of any settlement or any adverse judgment may require us to pay substantial damages, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling or marketing some or all of our solutions, indemnify our customers or partners, refund fees or re-brand our solutions, any of which could be costly and could materially and adversely affect our business, financial condition and results of operations.

Our platform contains open-source software, which could negatively affect our ability to sell our solutions, pose particular risks to our proprietary software and subject us to possible litigation.

We use open-source software that is subject to one or more open-source licenses in connection with our software development and we may incorporate additional open-source software into our software, or otherwise link our software to open-source software. Open-source software is typically freely accessible, usable and modifiable, subject to compliance with the applicable licenses. Certain open-source software licenses require an entity who distributes or otherwise makes available the open-source software in connection with the entity's software to publicly disclose part or all of the source code to the entity's software or to make any derivative works of the open-source code or even the entity's software available to others on potentially unfavorable terms or at no cost.

However, the terms of many open-source licenses have not been interpreted by United States or foreign courts and there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. As a result, the potential impact of these terms on our business is uncertain and may result in unanticipated obligations or restrictions relating to the use of our platform. In that event, we could be required to seek licenses from third-parties in order to continue offering our solutions, to re-develop our solutions, to discontinue sales of our solutions or to release our proprietary source code under the terms of an open-source license, any of which could harm our business, financial condition and results of operations. From time to time, companies that use open-source software have faced claims challenging the use of open-source software and/or compliance with open-source license terms, and we may be subject to such claims in the future.

While we monitor our use of open-source software and try to ensure that none is used in a manner that would require disclosure of proprietary source code that would preclude us from charging fees for the use of our software or that would otherwise breach the terms of an open-source agreement, we cannot guarantee that our monitoring efforts will be fully successful. While it is our view that the majority of our solutions are not considered distributed software since no installation of the applicable software is necessary, this position could be challenged. In addition, parts of our platform, such as our mobile applications, for example, may be considered to be distributed. Finally, certain open-source licenses require disclosure of proprietary code under certain circumstances, even in the absence of distribution. In those instances, if a specific open-source license requires it, we might be obligated to disclose part of our proprietary code or otherwise be subject to undesirable open-source license terms. Any termination of an open-source license, requirement to disclose proprietary source code or distribute proprietary software on open-source license terms or pay damages for breach of contract could be harmful to our business, financial condition and results of operations, and could help our competitors develop solutions that are similar to or better than ours.

In addition to risks related to license requirements, usage of open-source software can lead to greater risks than the use of third-party commercial software, as open-source licensors generally do not provide warranties, controls on the origin or development of the software or remedies against the licensors. Further, given the nature of open-source software, it may be more likely that third-parties might assert copyright and other intellectual property infringement claims against us based on our use of open-source software. Finally, use of open-source software may introduce vulnerabilities into our solutions. Disclosing the source code of our proprietary software could also make it easier for cyber attackers and other third-parties to discover or exploit vulnerabilities in or to defeat the protections of our solutions, which could result in our solutions failing to provide our customers with the security they expect. Likewise, some open source projects have known security or other vulnerabilities or architecture instabilities, or are otherwise subject to security attacks due to their wide availability, or are provided on an "as-is" basis. Many of the risks associated with usage of open-source software cannot be eliminated and could adversely affect our business, financial condition and results of operations.

We are exposed to risks, including security and regulatory risks, associated with credit card and debit card payment processing.

We accept payments through credit and debit cards and are therefore subject to a number of risks related to credit and debit card payments, including:

- payment of fees, which may increase over time and may require us to either increase the prices we charge for our solutions or experience an increase in operating expenses;
- if our billing systems fail to work properly and, as a result, we do not automatically charge customers' credit cards on a timely basis or at all, we could lose revenue;
- if we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or for other credit and debit card transactions, may increase or issuers may terminate their relationship with us;
- if we are unable to maintain PCI-DSS Payment Card Industry Data Security Standard ("PCI-DSS") compliance or other payment card network operating rules, we may breach our contractual obligations, be subject to fines, penalties, damages, higher transaction fees and civil liability, be prevented from processing or accepting payment cards or lose payment processing partners;
- we securely store and rely on third-party payment service providers to securely store customer payment card information and maintain PCI-DSS compliance; and
- we rely on third-party payment service providers to process payments from our customers and their users and the providers may face downtime and thus affect our cash flow and our customers' cash flow.

There can also be no assurance that the billing system data security standards of our third-party payment service providers will adequately comply with the billing standards of any future jurisdiction in which we seek to market our solutions.

In addition, As part of the contracts we enter into with Stripe and other payment service providers for Squarespace Payments, our native payment solution, we are obligated to comply with additional rules and regulations that relate to the processing of payments, including those implemented by the payment card networks. If we fail to comply with these rules and regulations as part of our contractual obligations, we may be subject to monetary fines or other penalties, which could have an adverse effect on our business, financial condition and results of operations.

Further, certain of our subsidiaries perform services that relate to the processing of payments or similar activities. The U.S. Department of Treasury's Financial Crimes Enforcement Network and various state banking departments regulate entities engaged in money transmission and require registration, at the federal level, and licensure, at the state level, of entities engaged in regulated activity. We have relied on various exemptions from such registration and licensing requirements to date and believe, based on our business model, that such exemptions are valid. Any determination that we are not exempt may require expenditures of time and money to remediate and could adversely affect our business, financial condition and results of operations.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions could adversely affect our liquidity, financial condition and results of operations.

We deposit substantial funds in financial institutions and may maintain cash balances at such financial institutions in excess of the Federal Deposit Insurance Corporation limit. Events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. These events could have an adverse effect on our liquidity, financial condition and results of operations.

For example, on March 10, 2023, in March 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. Although the Federal Reserve Board, the Department of the Treasury and the FDIC have taken steps to ensure that depositors at Silicon Valley Bank can access all of their funds, including funds held in uninsured deposit accounts, there is no guarantee that, in the event of the closure of other financial institutions in the future, depositors would be able to access uninsured funds or that they would be able to do so in a timely fashion.

To date, we have not experienced any adverse impact to our liquidity, financial condition or results of operations as a result of the events described above. However, uncertainty remains over liquidity concerns in the broader financial services industry and we could be adversely impacted by these developments in ways that we cannot predict at this time. Further, we cannot guarantee that we will be able to avoid negative consequences directly or indirectly from any failure of one or more financial institutions.

Our business is subject to online security risks, including security breaches and cyberattacks. If the security of personal information, payment card information or other confidential information of customers and their users stored in our systems is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.

Our business involves the storage and/or transmission of personal information, payment card information and other confidential information. In addition, the amount of potentially sensitive or confidential data we store for customers on our servers has been increasing. increasing, including since the introduction of Squarespace Payments, our native payment solution. There has also been an increase in the number of malicious software attacks in the technology industry generally. In our industry, it is typical to experience a high rate of such attacks. For example, we have experienced, and may experience in the future,

DDoS attacks aimed at disrupting service to our customers and other attacks on our systems by sophisticated threat actors. Social engineering efforts may compromise our personnel or those of our third party vendors, leading to unauthorized access to facilities, systems or information we have a responsibility to protect.

If third-parties succeed in penetrating our security measures or those of our service providers, or in otherwise accessing or obtaining without authorization the sensitive or confidential information we or our service providers maintain on behalf of our customers and their users, we could be subject to liability, loss of business, litigation, government investigations or other losses. Hackers or individuals who attempt to breach the security measures put in place by us or our service providers could, if successful, cause the unauthorized disclosure, misuse or loss of personal information, payment card information or other confidential information, suspend web-hosting operations or cause malfunctions or interruptions in our platform.

If we experience any material breaches of security measures or sabotage or otherwise suffer unauthorized use or disclosure of, or access to, personal information, payment card information or other confidential information, we might be required to expend significant capital and resources to address these problems. We may not be able to remedy any problems caused by hackers or other similar actors in a timely manner, or at all. Because techniques used to obtain unauthorized

access or to sabotage systems change frequently and generally are not recognized until after they are launched against a target, we and our service providers may be unable to anticipate these techniques or to implement adequate preventative measures. Advances in computer capabilities, discoveries of new weaknesses and other developments with software generally used by the internet community also increase the risk we, or customers using our servers, will suffer a material security breach. We cannot guarantee that our systems, security protocols, network protection mechanisms, cybersecurity awareness training, insider threat protection program, access controls, and other procedures and measures currently in place, or that may be in place in the future, will be adequate to prevent or remediate service interruptions, system failure, third party operating systems and software vulnerabilities, damage to one or more of our systems, data loss, security breaches or other data security incidents. We, our service providers or our customers may also suffer material security breaches or unauthorized access to personal information, payment card information and other confidential information due to employee error, rogue employee activity, unauthorized access by third-parties acting with malicious intent or who commit an inadvertent mistake or social engineering. If a material breach of security or other data security incident occurs or is perceived to have occurred, the perception of the effectiveness of our security measures and reputation could be harmed and we could lose current and potential customers, even if the security breach were to also affect one or more of our competitors. Further, concerns about practices with regard to the collection, use, disclosure or security of personal information, payment card information or other confidential information, even if unfounded, could damage our reputation and adversely affect our business, financial condition and results of operations.

Any actual or alleged security breaches or other unauthorized access to personal information, payment card information and other confidential information or alleged violation of federal, state or foreign laws or regulations relating to privacy and data security could result in:

- mandated customer notifications, litigation, government investigations, significant fines and expenditures;
- claims against us for misuse of personal information, payment card information and other confidential information;
- diversion of management's attention;
- damage to our brand and reputation;
- our operations being suspended for some length of time; and
- an adverse effect on our business, financial condition and results of operations.

In addition, we could be required to devote significant resources to investigate and address a security breach. Defending against claims or litigation based on any security breach or incident, regardless of its merit, will be costly and may cause reputation harm. Further, under certain regulatory schemes, such as the California Consumer Privacy Act (the "CCPA"), we may be liable for statutory damages on a per breached record basis, irrespective of any actual damages or harm to the individual. The successful assertion of one or more large claims against us that exceed available insurance coverage, denial of coverage as to any specific claim or any change or cessation in our insurance policies and coverages, including premium increases or the imposition of large deductible requirements, could adversely affect our business, financial condition and results of operations. We expect to continue to expend significant resources to protect against security breaches and other data security incidents. The risk that these types of events could seriously harm our business is likely to increase as we expand our solutions and operate in more geographic regions.

We are subject to privacy and data protection laws and regulations as well as contractual privacy and data protection obligations. Our failure to comply with these or any future laws, regulations or obligations could subject us to sanctions and damages and could harm our reputation, business, financial condition and results of operations.

We are subject to a variety of laws and regulations, including regulation by various federal government agencies, including the FTC, the Federal Communications Commission and state and local agencies, as well as data privacy and

security laws in jurisdictions outside of the United States. We collect personal information and other potentially protected information from our employees, our current and prospective customers and their users. The U.S. federal and various state and foreign governments have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personal information, payment card information or other confidential information of individuals and the FTC and many state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data. Self-regulatory obligations, other industry standards, policies and other legal obligations may apply to our collection, distribution, use, security or storage of personal information, payment card information, payment solution know-your-customer and risk information or other confidential information relating to individuals. These obligations may be interpreted and applied inconsistently from one jurisdiction to another and may conflict with one another, other regulatory requirements or our internal practices. Any failure or perceived failure by us to comply with United States, European Union or other foreign privacy or security laws, policies, industry standards or legal obligations or any security incident resulting in the unauthorized access to, or acquisition, release or transfer of, personal information, payment card information, payment solution know-your-customer and risk information or other confidential information relating to our customers, employees or others may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation, business, financial condition and results of operations.

We expect there will continue to be newly enacted and proposed laws and regulations as well as emerging industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our

business. Such laws, regulations, standards and other obligations could impair our ability to, or the manner in which we collect or use information to target advertising to our customers, thereby having a negative impact on our ability to maintain and grow our customer base and increase revenue. For example, the CCPA requires, among other things, that covered companies such as ours provide new disclosures to California consumers and affords such consumers new rights, including the right to access and delete their information and to opt-out of certain sharing and sales of personal information or opt into certain financial incentive programs. The law also prohibits covered businesses from discriminating against consumers (e.g., charging more for services) for exercising any of their CCPA rights. The CCPA took effect on January 1, 2020 and enforcement of the CCPA by the California Attorney General began on July 1, 2020. The CCPA imposes a severe statutory damages framework as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. It remains unclear how various provisions of the CCPA will be interpreted and enforced. The CCPA has been amended on multiple occasions and is the subject of regulations of the California Attorney General finalized on August 14, 2020. Privacy Protection Agency. Additionally, the California Secretary of State certified the California Privacy Rights Act (the "CPRA"), which California voters approved on November 4, 2020. This initiative significantly modifies modified the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Virginia, Colorado, Utah Other states have passed and Connecticut also passed comprehensive privacy laws that will take effect in 2023. Other states others may pass comparable legislation, with potentially greater penalties and more rigorous compliance requirements relevant to our business. The effects of the CCPA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation. Future restrictions on the collection, use, sharing or disclosure of our customers' data or additional requirements for express or implied consent of customers for the collection, use, disclosure, sharing or other processing of such information could increase our operating expenses, require us to modify our solutions, possibly in a material manner, or stop offering certain solutions, and could limit our ability to develop and implement new solutions.

In addition, several foreign countries and governmental bodies, including the European Union and Canada, have laws and regulations concerning the collection and use of their residents' personal information and payment card information, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information and payment card information identifying, or which may be used to identify, an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol (IP) addresses, device identifiers and other data. Although we are working to comply with those laws and regulations applicable to us, these and other obligations may be modified and interpreted in different ways by courts, and new laws and regulations may be enacted in the future. We are subject to the E.U. General Data Protection Regulation 2016/679 (the "GDPR"), and following the United Kingdom's exit from the European Union, from January 1, 2021, we are also subject to the United Kingdom GDPR (the "U.K. GDPR"), which, together with the amended U.K. Data Protection Act of 2018 (the "U.K. Data Protection Act"), retains the GDPR in U.K. national law. The U.K. GDPR mirrors the fines under the GDPR. It remains unclear how the U.K. GDPR, the U.K. Data Protection Act and other U.K. data protection laws or regulations will develop in the medium to longer term. In addition, some countries are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our solutions. Any new laws, regulations, other legal obligations or industry standards or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations.

The regulatory environment applicable to the handling of European Economic Area ("EEA"), Swiss and United Kingdom individuals' personal data (as such item is used in the GDPR), and our actions taken in response, may cause us to face a risk of enforcement actions by data protection authorities in the EEA, Switzerland and the United Kingdom, assume additional liabilities or incur additional costs and could result in our business, financial condition and results of operations being harmed. In particular, with regard to transfers to the United States of personal data of our European and United Kingdom employees and our European, Swiss and United Kingdom customers and their users, the European Commission, the United Kingdom Government, and the Swiss Federal Administration (working with the U.S. Department of Commerce) adopted an adequacy decision pursuant to the EU-U.S. Data Privacy Framework, the Swiss-U.S. Data Privacy Framework and the UK Extension to the EU-U.S. Data Privacy Frameworks (each individually and jointly, the "Data Privacy Frameworks"). We comply with the Data Privacy Frameworks to provide an additional legal basis for transfers of personal data to the United States from the EEA, Switzerland and the United Kingdom. It is expected that the Data Privacy Frameworks will be subject to legal challenge to be invalidated through the Court of Justice of the European Union and the E.U. Model Clauses have been subject to legal challenge and may be modified or invalidated. The European Commission has adopted new modular E.U. Model Clauses and the non-legally binding guidance on Supplementary Measures that has been issued by the European Data Protection Board casts doubt on the ability to transfer unencrypted data to the United States. We are monitoring the developments related to the Data Privacy Frameworks and E.U. Model Clauses, but depending on the outcome, we may be unsuccessful in maintaining a legitimate means for our transfer and receipt of personal data from the EEA, Switzerland and United Kingdom in the United States and any other countries that are not considered adequate by the European Union, Switzerland or the United Kingdom. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens and be required to engage in new contract negotiations with third-parties that aid in processing data on our behalf or localize certain data. We may experience reluctance or refusal by current or prospective

European, Swiss or United Kingdom customers to use our solutions, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA, Switzerland and United Kingdom residents.

We are also subject to evolving privacy laws on tracking technologies, including cookies and e-marketing. For example, in the European Union and the United Kingdom, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive are highly likely to be replaced by an E.U. regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. Guidance and case law in the European Union and the United Kingdom require opt-in consent for the placement of a cookie or similar tracking technologies on a customer's device and for direct electronic marketing. Evolving privacy laws on cookies and e-marketing could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities. Regulation of cookies and similar technologies, and any decline of cookies or similar online tracking technologies as a means to identify and potentially target users, may lead to broader restrictions and impairments on our marketing and personalization activities and may negatively impact our efforts to understand our customers.

Consumers can, with increasing ease, implement technologies that limit our ability to collect and use data to deliver or advertise our services, or otherwise limit the effectiveness of our platform. Cookies may be deleted or blocked by consumers. The most commonly used Internet browsers allow consumers to modify their browser settings to block first-party cookies (placed from the domain of the website owner that the consumer is browsing) or third-party cookies (placed from a different domain), and some browsers block third-party cookies by default. Some prominent technology companies, including Google, the owner of the Chrome browser, have announced intentions to discontinue support of third-party cookies, and to develop alternative methods and mechanisms for tracking consumers. Many applications and other devices allow consumers to avoid receiving advertisements by paying for subscriptions or other downloads. Mobile devices using Android and iOS operating systems limit the ability of cookies, or similar technology, to track consumers while they are using applications other than their web browser on the device.

If our privacy or data security measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, or are perceived to have failed to so comply, we may be subject to litigation, regulatory investigations and related actions, significant fines (which, for certain breaches of the GDPR or U.K. GDPR, may be up to the greater of €20 million or 4% of total global annual turnover), civil claims including representative actions and other class action type litigation (potentially amounting to significant compensation or damages liabilities) or other liabilities, negative publicity and a potential loss of business. Moreover, if future laws, regulations, other legal obligations or industry standards, or any changed interpretations of the foregoing, limit our customers' ability to use and share personal information, including payment card information, or our ability to store, process and share such personal information or other data, demand for our solutions could decrease, our costs could increase and our business, financial condition and results of operations could be harmed.

Activities of our customers or the content of their websites could damage our brand, subject us to liability and harm our business, financial condition and results of operations.

Our terms of service and acceptable use policy prohibit our customers from using our platform to engage in illegal or otherwise prohibited activities and our terms of service and acceptable use policy permit us to terminate a customer's account if we become aware of such use. Customers may nonetheless use our platform to engage in prohibited or illegal activities, such as uploading content in violation of applicable laws, which could subject us to liability. Furthermore, our brand may be negatively impacted by the actions of customers that may be deemed to be hostile, offensive, inappropriate or illegal, whether such actions occur on our platform or otherwise. We do not proactively monitor or review the

appropriateness of our customers' content and we do not have control over customer activities or the activities in which their users engage. The safeguards we have in place may not be sufficient for us to avoid liability or avoid harm to our brand, especially if such hostile, offensive, inappropriate or illegal use is or becomes high profile, which could adversely affect our business, financial condition and results of operations. Customers using the platform may also operate businesses in regulated industries, which are subject to additional scrutiny, increasing the potential liability we could incur.

We are subject to export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control. If we fail to comply with these laws and regulations, we could be subject to civil or criminal penalties and reputational harm. U.S. export control laws and economic sanctions laws also prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities.

Even though we take precautions to prevent transactions with U.S. sanctions targets, there is risk that in the future we could provide our solutions to such targets despite such precautions. This could result in negative consequences to us,

including government investigations, penalties and reputational harm. Changes in the list of embargoed countries and regions or prohibited persons may require us to modify these procedures in order to comply with governmental regulations.

Changes in our solutions, changes in export and import regulations or changes in the global environment may create delays in the introduction and sale of our solutions in international markets or, in some cases, prevent the sale of our solutions to certain countries, governments or persons altogether. Any change in export or import regulations, shift in the enforcement or scope of existing regulations or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our platform or decreased ability to sell our solutions to existing or potential customers. Any decreased use of our solutions or limitation on our ability to sell our solutions internationally could adversely affect our growth prospects.

If we are found to be in violation of the export controls laws and regulations or economic sanctions laws and regulations, penalties may be imposed against us and our employees, including loss of export privileges and monetary penalties, which could have an adverse effect on our business, financial condition and results of operations.

Due to the global nature of our business, we could be adversely affected by violations of anti-bribery and anti-corruption laws.

The global nature of our business creates various domestic and local regulatory challenges. The FCPA, U.K. Bribery Act, the U.S. Travel Act of 1961 and similar anti-bribery and anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign government officials and other persons for the corrupt purpose of obtaining or retaining business, directing business to any person or securing any advantage. In addition, companies are required to maintain records accurately and fairly representing their transactions and having an adequate system of internal accounting controls. We face significant risks if we fail to comply with the FCPA and other anti-corruption and anti-bribery laws prohibiting companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties and private-sector recipients for an illegal purpose.

We sell our solutions to customers around the world, including some in areas of the world that experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. In addition, changes in laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. While we are committed to complying, and training our employees to comply, with all applicable anti-bribery and anti-corruption laws, we cannot assure our employees or other agents will not engage in prohibited conduct and render us responsible under the FCPA, the U.K. Bribery Act or other anti-bribery and anti-corruption laws.

If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery and anti-corruption laws (either due to acts or inadvertence of our employees, or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have an adverse effect on our business, financial condition and results of operations. Any violation of the FCPA or other applicable anti-corruption or anti-bribery laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have an adverse effect on our reputation, business, financial condition and results of operations. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

Our business could be affected by new and evolving governmental regulations regarding the internet.

To date, laws, regulations and enforcement actions by governments have not materially restricted use of the internet in most parts of the world. However, the legal and regulatory environment relating to the internet is uncertain, and

governments may impose regulation in the future. New laws may be passed, courts may issue decisions affecting the internet, existing but previously inapplicable or unenforced laws may be deemed to apply to the internet or regulatory agencies may begin to more rigorously enforce such formerly unenforced laws, or existing legal safe harbors may be narrowed, both by U.S. federal or state governments and by governments of foreign jurisdictions. The adoption of any new laws or regulations, or the narrowing of any safe harbors, could hinder growth in the use of the internet and online services generally, and decrease acceptance of the internet and online services as a means of communications, e-commerce and advertising. In addition, such changes in laws could increase our costs of doing business or prevent us from delivering our solutions over the internet or in specific jurisdictions, which could harm our business, financial condition and results of operations. For example, we rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our platform, including the Digital Millennium Copyright Act (the "DMCA"), the Communications Decency Act (the "CDA"), and fair-use doctrine in the United States and the Electronic Commerce Directive in the European Union. The DMCA limits, but does not necessarily eliminate, our potential liability for caching, hosting, listing or linking to third-party content that may include materials that infringe copyrights or other rights. The CDA further limits our potential liability for content uploaded onto our platform by third-parties. Defenses such as the fair-use doctrine (and related doctrines in other countries) may be available to limit our potential liability for featuring third-party intellectual property content for purposes such as reporting, commentary and parody. In the European Union, the Electronic Commerce

Directive offers certain limitations on our potential liability for featuring third-party content. However, each of these statutes and doctrines are subject to uncertain or evolving judicial interpretation and regulatory and legislative amendments, and we cannot guarantee that such frameworks and defenses will be available. Regulators in the United States and in other countries may introduce new regulatory regimes that increase potential liability for content available on our platform, including liability for misleading, false or manipulative information, hate speech, privacy violations, copyrighted content and other types of online harm; or alternatively increase potential liability for removing content on our platform. For example, there have been various legislative and executive efforts to restrict the scope of the protections available to online platforms under Section 230 of the CDA, and current protections from liability for third-party content in the United States could decrease or change. Additionally, the European Union and the United Kingdom have enacted laws such as the Digital Services Act with respect to the moderation of illegal and harmful content on digital platforms. There are also a number of legislative proposals in the United States, at both the federal and state level, and in the European Union and the United Kingdom, that could impose new obligations in areas affecting our business, such as liability for copyright infringement and other online harm. Any new legislation may be difficult to comply with in a timely and comprehensive manner and may expose our business or customers to increased costs. If the rules, doctrines or currently available defenses change, if international jurisdictions refuse to apply protections similar to those that are currently available in the United States or the European Union or if a court were to disagree with our application of those rules to our solutions, our potential liability for information or content created by third-parties and posted to our platform could require us to expend significant resources to try to comply with the new rules and implement additional measures to reduce our exposure to such liability or we could incur liability and our business, financial condition and results of operations could be harmed.

Governmental and regulatory policies or claims concerning the domain registration system and the internet in general, and industry reactions to those policies or claims, may cause instability in the industry and disrupt our business.

The Internet Corporation for Assigned Names and Numbers (“ICANN”) is a multi-stakeholder, private sector, not-for-profit corporation formed in 1998 for the express purposes of overseeing a number of internet related tasks, including managing the Domain Name System’s allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these functions. ICANN has been subject to strict scrutiny by the public and governments around the world, as well as multi-governmental organizations such as the United Nations, with many of those bodies becoming increasingly interested in internet governance. Any instability in the domain name registration system may make it difficult for us to maintain our relationships with accredited domain name registrars or registries, continue to offer our existing solutions, or introduce new offerings.

Natural catastrophic events, including global pandemics, as well as man-made problems such as power disruptions, computer viruses, data security breaches and terrorism may disrupt our business.

We rely heavily on our network infrastructure and IT systems for our business operations. Unanticipated events such as an online a cyber attack (including illegal hacking, ransomware, phishing or criminal fraud or impersonation), earthquake, fire, flood, terrorist attack, power loss, global pandemic or other future adverse public health developments, telecommunications failure or other similar catastrophic events could cause interruptions in the availability of our platform, delays in accessing our solutions, reputational harm and loss of critical data. Such events could prevent us from providing our solutions to our customers and their users. A catastrophic event that results in the destruction or disruption of our data centers, network infrastructure or IT systems, including any errors, defects or failures in third-party services, could result in costly litigation or other claims and adversely affect our business, financial condition and results of operations. We may also need to expend significant additional resources to protect against cyber attacks or other catastrophic events or to redress problems caused by such events. Additionally, our insurance policies may not be adequate to reimburse us for losses caused by these events and we may not be able to fully collect, if at all, under these insurance policies.

Our level of indebtedness could have a material adverse effect on our ability to generate sufficient cash to fulfill our obligations under such indebtedness, to react to changes in our business and to incur additional indebtedness to fund future needs.

As of September 30, 2023 March 31, 2024, we have outstanding $584 million $559.2 million aggregate principal amount of borrowings under the Term Loan and $7.3 million aggregate principal amount of borrowings under the Revolving Credit Facility (as defined above). If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our current or future debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. We cannot assure you that our business will be able to generate sufficient levels of cash or that future borrowings or other financings will be available to us in an amount sufficient to enable us to service our indebtedness and fund our other liquidity needs. In addition, our indebtedness under the Credit Agreement (as defined above) bears interest at variable rates. Because we have variable rate debt, fluctuations in interest rates may affect our business, financial condition and results of operations.

Our Credit Agreement contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our business, financial condition and results of operations.

The terms of our Credit Agreement include a number of covenants that limit our ability to (subject to negotiated exceptions), among other things, incur additional indebtedness or issue preferred stock, incur liens on assets, enter into

agreements related to mergers and acquisitions, dispose of assets or pay dividends and make distributions. The terms of our Credit Agreement may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies which are not subject to such restrictions.

A failure by us to comply with the covenants specified in the Credit Agreement could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans under our Revolving Credit Facility and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. If the debt under the Credit Agreement were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could adversely affect our business, financial condition and results of operations.

Because we generally recognize revenue from monthly annual and annual monthly subscriptions over the term of an agreement, downturns or upturns in sales are not immediately reflected in our full results of operations.

We offer annual and monthly subscriptions and generally recognize revenue over the term of our customers’ contracts in accordance with GAAP. Accordingly, increases in annual subscriptions during a particular period do not translate into immediate, proportional increases in revenue during such period, and a substantial portion of the revenue we recognize during a quarter is derived from deferred revenue from annual subscriptions purchased during previous quarters. Conversely, a decline in new or renewed annual subscriptions in any one quarter may not significantly reduce revenue for that quarter but could negatively affect revenue in future quarters. Accordingly, the effect of significant downturns in new or renewed sales of our solutions may not be fully reflected in our results of operations until future periods.

Our business is susceptible to risks associated with international sales and the use of our platform in various countries as well as our ability to localize our platform in such countries.

As of September 30, 2023 March 31, 2024, we had customers in over 200 countries and territories and expect to continue to expand our international operations in the future. However, international sales and the use of our platform in various countries subject us to risks that we do not generally face with respect to domestic sales. These risks include, but are not limited to:

- greater difficulty in enforcing contracts, including our terms of service and other agreements;
- lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing foreign laws, standards, regulatory requirements, tariffs, export controls and other barriers;
- data privacy laws, which may require that customer and user data be stored and processed in a designated territory;
- differing technology standards and different strategic priorities for customers in various jurisdictions;
- weaker protection for intellectual property in certain jurisdictions;
- potentially adverse tax consequences, including the complexities of foreign value-added tax (or other tax) systems and restrictions on the repatriation of earnings;
- uncertain political and economic climates and increased exposure to global political, economic and social risks that may impact our operations or our customers' operations and/or decrease consumer spending, including the impact of global health emergencies;
- difficulties in ensuring compliance with government regulations of e-commerce and other services, which could lead to lower adoption rates;
- potentially restrictive actions by foreign governments or regulators, including actions that prevent or limit access to our platform, solutions, apps or website;
- uncertainties and instability in European and global markets and increased regulatory costs and challenges and other adverse effects caused by the United Kingdom's withdrawal from the European Union;
- lower levels of credit card usage and increased payment risks;
- currency exchange rates;
- reduced or uncertain protection for intellectual property rights and free speech in some countries;
- new and different sources of competition; and
- restricted access to and/or lower levels of use of the internet.

These factors may cause international costs of doing business to exceed comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from our international business efforts could adversely affect our business, financial condition and results of operations.

Exchange rate fluctuations may negatively affect our business, financial condition and results of operations.

Our business, financial condition and results of operations are affected by fluctuations due to changes in foreign currency exchange rates. While we generate the majority of our revenue in U.S. dollars, a portion of our revenue is denominated in Euros. For the nine three months ended September 30, 2023 March 31, 2024, 71.6% 71.5% of our revenue was denominated in U.S. dollars and 28.4% 28.5% of our revenue was denominated in Euros. As we expand globally, we will be further exposed to fluctuations in currency exchange rates to the extent that the revenue that we generate in currencies other than the U.S. dollar increases. Furthermore, currency exchange rates have been especially volatile in the recent past, and these currency fluctuations have made and may continue to make it difficult for us to accurately predict our results of operations.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our business, financial condition and results of operations.

With sales in various countries, we are subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes paid in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- expiration of, or unfavorable changes to, research and development tax credit laws;
- costs related to intercompany restructurings;

- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries that have lower statutory tax rates and higher than anticipated earnings in countries that have higher statutory tax rates.

The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amount recorded in our condensed consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Our corporate structure and associated transfer pricing policies consider the functions, risks and assets of the various entities involved in the intercompany transactions. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm’s length. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm’s length transactions, they could require us to adjust our transfer prices and thereby reallocate income to reflect these revised transfer prices, which could result in a higher tax liability. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

In addition, the authorities in several jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and our business, financial condition and results of operations.

We may be subject to additional obligations to collect and remit sales tax and other taxes. We may be subject to tax liability for past sales, which could harm our business, financial condition and results of operations.

State, local and foreign jurisdictions have differing tax rules and regulations governing sales, use, value-added, digital services, and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of such taxes to our platform in various jurisdictions is unclear. These jurisdictions’ rules regarding tax nexus are complex and vary significantly. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations, and as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business.

One or more states, localities, the federal government or other countries may seek to impose additional reporting, record-keeping or indirect tax collection and remittance obligations on businesses like ours. An increasing number of jurisdictions have enacted laws or are considering enacting laws requiring e-commerce platforms to report user activity or collect and remit taxes on certain sales through a marketplace. Imposition of an information reporting, record-keeping or tax collection requirement could require us to incur substantial costs in order to comply, including costs associated with tax calculation, collection and remittance, which could adversely affect our business and results of operations. In some cases

we also may not have sufficient notice to enable us to build systems and adopt processes to properly comply with new reporting, record-keeping or collection obligations by the effective date.

As a result, we could face tax assessments and audits. Our liability for these taxes and associated penalties could exceed our historical tax accruals. Jurisdictions in which we have not historically collected or accrued sales, use, value-added or other taxes could assert our liability for such taxes. A successful assertion that we should be collecting additional taxes in jurisdictions where we have not historically done so could result in substantial tax liabilities for past sales. Furthermore, certain jurisdictions have introduced a digital services tax, which is generally a tax on gross revenue generated from users or customers located in those jurisdictions, and other jurisdictions have enacted or are considering enacting similar laws. Further, even where we are collecting and remitting taxes to the appropriate authorities, we may fail to accurately calculate, collect, report and remit such taxes. Any of these events could result in substantial tax liabilities and related penalties for past sales. It could also discourage customers from using our platform or otherwise harm our business, financial condition and results of operations.

We have recorded in the past a full valuation allowance on our net deferred tax assets since it is more likely than not that these benefits will not be realized. Future adjustments to the realizability of our deferred tax assets may have a material impact on our financial condition and results of operations.

Determining whether a valuation allowance for deferred tax assets is appropriate requires significant judgment and an evaluation of all positive and negative evidence. We assess the need for, or the sufficiency of, a valuation allowance against deferred tax assets at each reporting period. In making such an assessment, significant weight is given to evidence that can be objectively verified. New facts and circumstances, future financial results, and new tax legislation, among other factors, may require us to reevaluate our valuation allowance positions which could potentially affect our effective tax rate.

We continue to monitor the likelihood that we will be able to recover our deferred tax assets, including those for which a valuation allowance is recorded. There can be no assurance that our deferred tax assets will be fully realized. The determination to record or reverse a valuation allowance is subject to objective factors that cannot be readily predicted in advance and may have a material impact on our financial condition and results of operations.

If there are fluctuations in our effective tax rate due to changes in tax laws or regulations, we could suffer adverse tax and other financial consequences.

New tax laws or regulations could be enacted at any time, and existing tax laws or regulations could be interpreted, modified or applied in a manner that adversely affects our tax rates and therefore our results of operations and financial condition.

Legislation commonly referred to as the Tax Cuts and Jobs Act, which was enacted in December 2017, significantly reformed the U.S. Internal Revenue Code of 1986, as amended. The Tax Cuts and Jobs Act lowered U.S. federal corporate income tax rates, changed the utilization of future net operating loss carryforwards, allowed for the expensing of certain capital expenditures, eliminated the option to currently deduct research and development expenditures and requires taxpayers to capitalize and amortize U.S.-based and non-U.S.-based research and development expenditures over five and fifteen years, respectively, and put into effect significant changes to United States taxation of international business activities. It is possible that changes under the Tax Cuts and Jobs Act could increase our future tax liability.

On August 16, 2022, the United States enacted the Inflation Reduction Act (the “IRA”), which among other provisions, introduced a 15% minimum tax on the adjusted financial statement income of certain large corporations and a nondeductible 1% excise tax on the net value of certain share repurchases made after December 31, 2022 by covered

corporations. As of January 1, 2023, the Company began recording excise taxes related to share repurchases in additional paid in capital in the condensed consolidated balance sheet.

The Organization for Economic Co-operation and Development (the "OECD") has issued recommendations that, in some cases, make substantial changes to numerous long-standing tax positions and principles. These

In December 2021, the OECD proposed the Pillar Two framework as part of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project which makes changes many to existing tax laws, including a 15% global minimum tax (“BEPS Pillar Two”). Several countries have enacted tax legislation with proposals from the BEPS Pillar Two framework, with an effective date starting in 2024. We are continuing to evaluate the impacts of which have been adopted or are under active consideration by OECD members and/or other countries, could increase enacted legislation and pending legislation to enact BEPS Pillar Two in the non-US tax uncertainty and may adversely affect our provision for income taxes, cash tax liability, and effective tax rate jurisdictions in countries where which we operate.

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

We are required to comply with the SEC rules that implement Section 404 of the The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and are required to provide an annual management report on the effectiveness of our disclosure controls and procedures quarterly. In particular, Section 404 of the Sarbanes-Oxley Act (“Section 404”), requires us to perform system and process evaluation and testing of our internal control over financial reporting. However, pursuant reporting to an exemption available allow management to emerging growth companies, report on, and our independent registered public accounting firm will not be required to attest to, the effectiveness of our internal control over financial reporting. Our compliance with applicable provisions of Section 404 requires that we incur substantial accounting expenses and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting until we are no longer deemed an emerging growth company. requirements.

As we mature, we will need to further develop our internal control systems and procedures to keep pace with our rapid growth and we are currently working to improve our controls. Our current controls and any new controls that we

develop may become inadequate because, among other reasons, they may not keep pace with our growth or the conditions in our business may change.

We have made, and will continue to make, changes to our financial management control systems and other areas to manage our obligations as a public company, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems.

If we fail to maintain effective systems, controls and procedures, including disclosure controls and internal controls over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations and prevent fraud could be adversely impacted. Moreover, we may have to disclose in periodic reports we file with the SEC material weaknesses in our system of internal controls. The existence of a material weakness would preclude management from concluding that our internal controls over financial reporting are effective, and would preclude our independent auditors from issuing an unqualified opinion that our internal controls over financial reporting are effective. We may also experience higher than anticipated operating expenses during and after the implementation of these changes.

If we are unable to implement any of the changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our business, financial condition and results of operations. Additionally, we do not expect that our internal control systems, even if timely and well established, will prevent all errors and all fraud. Internal control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an “emerging growth company” as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards would otherwise apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates.

For as long as we continue to be an emerging growth company, we may also take advantage of other exemptions from certain reporting requirements that are applicable to other public companies, including not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and any golden parachute arrangements, such as “say-on-pay,” “say-on-frequency” and “say-on-golden-parachutes,” and reduced financial reporting requirements. Although we cannot predict with any certainty, investors may find our Class A common stock less attractive because we will rely on these exemptions, which could result in a less active trading market for our Class A common stock, increased price fluctuation and a decrease in the trading price of our Class A common stock. Moreover, the information that we provide to our stockholders may be different than the information you might receive from other public reporting companies in which you hold equity interests.

We will remain an emerging growth company until the earliest of: (i) the last day of the first fiscal year in which our annual gross revenue is $1.235 billion or more; (ii) the last day of the fiscal year during which the fifth anniversary of our listing as a public company; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company that is subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business, financial condition and results of operations.

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

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the New York Stock Exchange ("NYSE") on which our Class A common stock is traded and other applicable securities rules and regulations. The SEC and other regulators have continued to adopt new rules and regulations and make additional changes to existing regulations that require our compliance. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact, in ways we cannot currently anticipate, the manner in which we operate our

business. We expect that compliance with these rules and regulations will continue to cause us to incur additional

accounting, legal and other expenses that we did not incur as a private company. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and reduce the trading price of our Class A common stock. We also anticipate that we will continue to incur costs associated with corporate governance requirements, including requirements under securities laws, as well as rules and regulations implemented by the SEC and the NYSE, particularly after we are no longer an "emerging growth company." NYSE. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, while also diverting some of management's time and attention from revenue-generating activities. Furthermore, these rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. These rules and regulations are often 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 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. In addition, if we fail to comply with these rules and regulations, we could be subject to a number of penalties, including the delisting of our Class A common stock, fines, sanctions or other regulatory action or civil litigation.

Risks Related to Ownership of our Class A Common Stock

The trading price of our Class A common stock may be volatile and could decline significantly and rapidly regardless of our operating performance.

The trading price of our Class A common stock may be volatile and subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- the number of shares of our Class A common stock made available for trading;
- sales or expectations with respect to sales of shares of our Class A common stock by holders of our Class A common stock;
- actual or anticipated fluctuations in our business, financial condition and results of operations;
- variance in our financial performance from expectations of securities analysts;
- changes in our revenue;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- our involvement in any litigation;
- our sale of our Class A common stock or other securities in the future;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

Recently, 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. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

None of our stockholders are party to any contractual restrictions on transfer. Sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, could cause the trading price of our Class A common stock to decline.

In addition to the supply and demand and volatility factors discussed above, sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our Founder, directors, executive officers and principal stockholders, or the perception that these sales might occur in large quantities, could cause the trading price of our Class A common stock to decline.

None of our security holders are subject to any contractual restriction on the transfer or sale of their shares.

In addition, certain of our stockholders have rights, subject to some conditions, to require us to file registration statements for the public resale of their Class A common stock or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the trading price of our Class A common stock to decline or be volatile.

The multi-class structure of our common stock has the effect of concentrating voting control with those stockholders who hold our Class B common stock, including our Founder and Chief Executive Officer. This will limit or preclude

your ability to influence corporate matters, including the election of directors, amendments to our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions requiring stockholder approval.

Our Class A common stock has one vote per share and our Class B common stock has ten votes per share. The multi-class structure of our common stock has the effect of concentrating voting control with our Class B common stockholders. As of September 30, 2023 March 31, 2024, Mr. Casalena holds a majority of the voting power of our outstanding capital stock. As a result, Mr. Casalena will have control over most matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. He may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. Corporate actions might be taken even if other stockholders oppose them. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control or other liquidity event of our company, could deprive our stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale or other liquidity event and might ultimately affect the trading price of our Class A common stock. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

Pursuant to our amended and restated certificate of incorporation, we are authorized to issue 1,000,000,000 shares of Class C common stock and as of September 30, 2023 March 31, 2024, there is no Class C common stock outstanding. Although we have no current plans to issue any shares of Class C common stock in the future, we may issue shares of Class C common stock for a variety of corporate purposes, including financings, acquisitions, investments, dividends and equity incentives to our employees, consultants and directors. Under our amended and restated certificate of incorporation, our board of directors has the authority, without stockholder approval except as required by the listing standards of the NYSE, to issue additional shares of our capital stock. Because the Class C common stock carries no voting rights, is not convertible into any other capital stock and is not listed for trading on an exchange or registered for sale with the SEC, shares of Class C common stock may be less liquid and less attractive to any future recipients of these shares than shares of Class A common stock, although we may seek to list the Class C common stock for trading and register shares of Class C common stock for sale in the future. In addition, because our Class C common stock carries no voting rights and is not counted when determining whether the seven percent ownership threshold related to automatic conversion of the Class B common stock is met, if we issue shares of Class C common stock in the future, the holders of our Class B common stock, including our Founder and Chief Executive Officer, may be able to elect all of our directors and to determine the outcome of most matters submitted to a vote of our stockholders for a longer period of time than would be the case if we issued Class A common stock rather than Class C common stock in such transactions. In addition, if we issue shares of Class C common stock in the future, such issuances would have a dilutive effect on the economic interests of our Class A common stock and Class B common stock.

We cannot predict the impact our capital structure may have on our stock price.

We cannot predict whether our multi-class structure will result in a lower or more volatile market price of our Class A common stock, in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P, Dow Jones and FTSE Russell have each announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500. These changes exclude companies with multiple classes of shares of common stock from being added to these indices. In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the multi-class structure of our capital stock may prevent the inclusion of our Class A common stock in these indices and may cause stockholder 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 stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the trading price of our Class A common stock.

The multi-class structure of our common stock additionally has the effect of concentrating voting control with our Class B common stockholders, including our Founder and Chief Executive Officer. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, takeover, or other business combination involving us that you, as a stockholder, may otherwise support, and could allow us to take actions that some of our stockholders do not view as beneficial, which could reduce the trading price of our Class A common stock. Furthermore, this concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock. Any issuance of Class C common stock could also cause the trading price of our Class A common stock to decline.

We do not intend to pay dividends on our capital stock for the foreseeable future.

We do not currently anticipate paying dividends on our capital stock. Any declaration and payment of future dividends to holders of our capital stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual

restrictions applying to the payment of dividends, the provisions of Delaware law affecting the payment of dividends and distributions to stockholders and other considerations that our board of directors deems relevant. In addition, the terms of the Credit Agreement currently limit our ability to pay dividends and future agreements governing our indebtedness may similarly limit our ability to pay dividends. Consequently, your only opportunity to achieve a return on your investment in our company will be if the trading price of our Class A common stock appreciates and you sell your shares at a profit. There is no guarantee that the price of our Class A common stock in the market will ever exceed the price that you paid for your shares.

Anti-takeover provisions contained in our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the trading price of our Class A common stock.

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- our multi-class common stock structure, which provides holders of our Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock;
- our stockholders are only able to take action at a meeting of stockholders and not by written consent;
- special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors or our chief executive officer;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- certain amendments to our amended and restated certificate of incorporation or our amended and restated bylaws require the approval of at least 66⅔% of the then-outstanding voting power of our capital stock;
- our amended and restated bylaws provide that certain litigation against us can only be brought in Delaware; and
- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock.

These and other provisions in our amended and restated certificate of incorporation and our amended and restated bylaws and under Delaware law could discourage potential takeover attempts, reduce the price investors might be willing to pay in the future for shares of our Class A common stock and result in the trading price of our Class A common stock being lower than it would be without these provisions.

Our amended and restated certificate of incorporation contains exclusive forum provisions for certain claims, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders; (iii) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the General Corporation Law of the State of Delaware or our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware.

This provision, however, does not apply to suits brought to enforce any duty or liability created by the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or rules and regulations thereunder. The federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act or the Exchange Act. Accordingly, while there can be no assurance that federal or state courts will determine that our exclusive forum provision should be enforced in a particular case, 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.

Our investors are deemed to have notice of and consented to these forum provisions, provided, however, that stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. These provisions may limit our stockholders' ability to bring a claim in a judicial forum they find favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees and agents. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

General Risk Factors

Our business, financial condition and results of operations may differ from any projections that we disclose or any information that may be attributed to us by third-parties.

From time to time, we may provide guidance via public disclosures regarding our projected business, financial condition or results of operations. However, any such projections involve risks, assumptions and uncertainties, and our actual results could differ materially from such projections. Factors that could cause or contribute to such differences include, but are not limited to, those identified in these Risk Factors, some or all of which are not predictable or in our control. Other unknown or unpredictable factors also could adversely impact our performance, and we undertake no obligation to update or revise any projections, whether as a result of new information, future events or otherwise. In addition, various news sources, bloggers and other publishers often make statements regarding our historical or projected business or financial performance, and you should not rely on any such information even if it is attributed directly or indirectly to us.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our Class A common stock adversely, the trading price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not control these analysts. If any of the analysts who cover us downgrade our Class A common stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our Class A common stock may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our Class A common stock to decline and our Class A common stock to be less liquid.

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

Additional issuances of our stock, exercise of options or vesting of RSUs will result in dilution to existing holders of our capital stock. The amount of dilution could be substantial depending upon the size of the issuance, exercise or vesting. As part of our business strategy, we may acquire or make investments in companies, products or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the trading price of our Class A common stock to decline.

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

Not applicable. Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of shares of our Class A common stock during the three months ended March 31, 2024 (in thousands, except share and per share data):

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased under the Plans or Programs (in thousands)
January 1 - 31	—	$ —	—	53,818
February 1 - 29	—	—	—	53,818
March 1 - 31	320,793	33.33	320,793	487,836
Total	320,793	$ 33.33	320,793	$ 487,836

(1) On May 10, 2022, the board of directors authorized a general share repurchase program of the Company's Class A common stock of up to $200,000, with no fixed expiration. On February 26, 2024, the board of directors authorized a new general share repurchase program of the Company's Class A common stock of up to $500,000 with no fixed expiration to replace the previous repurchase plan. These Class A common stock repurchases may occur in the open market, through privately negotiated transactions, through block purchases, other purchase techniques including the establishment of one or more plans under Rule 10b5-1 of the Securities Exchange Act of 1934 or by any combination of such methods. The timing and actual amount of shares repurchased will depend on a variety of different factors and may be modified, suspended or terminated at any time at the discretion of the board of directors.

(2) Average price paid per share includes costs associated with the repurchases.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On August 11, 2023 March 4, 2024, Anthony Casalena, Chief Executive Officer, adopted a 10b5-1 trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The 10b5-1 trading plan provides for the sale of an aggregate of up to 3,930,000 shares of the Company's common stock, between December 2023 and June 2024, subject to early termination for certain specified events set forth in the plan.

On September 14, 2023, Nathan Gooden, Chief Financial Officer, adopted a 10b5-1 trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The 10b5-1 trading plan provides for the sale of an aggregate of up to 124,010 shares of the Company's common stock, excluding any shares withheld by the Company to satisfy tax withholding obligations, between December 2023 June 2024 and November 2024, subject to early termination for certain specified events set forth in the plan.

Item 6. Exhibits

Exhibit No.	Exhibit Title	Incorporated by Reference Form	File Number	Exhibit	Filing Date
10.1*†	Form of Performance Restricted Stock Unit Award Agreement pursuant to the Squarespace, Inc. 2021 Equity Incentive Plan.				
31.1*	Certification of the Registrant's Principal Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of the Registrant's Principal Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1#	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.1 NS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document.				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

* Filed herewith.
† Indicates a management contract or compensatory plan.
# The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

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.

Squarespace, Inc.

Date: November 7, 2023 May 7, 2024

By: /s/ Anthony Casalena

Anthony Casalena
Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2023 May 7, 2024

By: /s/ Nathan Gooden

Nathan Gooden
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

SQUARESPACE, INC.

PERFORMANCE RESTRICTED STOCK UNIT GRANT NOTICE
(2021 EQUITY INCENTIVE PLAN)

Squarespace, Inc. (the “**Company**”), pursuant to its 2021 Equity Incentive Plan (the “**Plan**”), hereby awards to Participant a Performance Restricted Stock Unit Award for the number of shares of the Company’s Common Stock (“**PRSUs**”) set forth below (the “**Award**”). The Award is subject to all of the terms and conditions as set forth in this notice of grant (this “**Performance Restricted Stock Unit Grant Notice**”), and in the Plan and the Performance Restricted Stock Unit Award Agreement (the “**Award Agreement**”), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in this Performance Restricted Stock Unit Grant Notice or the Award Agreement and the Plan, the terms of the Plan shall control.

Participant:	______________________
Date of Grant:	______________________
Target Number of PRSUs:	______________________

Vesting Schedule:	The PRSUs will vest (if at all) based upon the achievement of the applicable service-based and performance-based conditions set forth in the Award Agreement (including Exhibit A attached thereto). The actual number of PRSUs that vest, if any, may be lower or higher than the Target Number of PRSUs set forth above depending on the extent to which the applicable vesting criteria are satisfied.
Issuance Schedule:	Subject to any Capitalization Adjustment, one share of Common Stock (or its cash equivalent, at the discretion of the Company) will be issued for each PRSU that vests as set forth in Section 2 of the Award Agreement and Exhibit A attached thereto.

Additional Terms/Acknowledgments: Participant acknowledges receipt of, and understands and agrees to, this Performance Restricted Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Performance Restricted Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the acquisition of the Common Stock pursuant to the Award specified above and supersede all prior oral and written agreements on the terms of this Award, with the exception, if applicable, of (i) the written employment agreement, offer letter or other written agreement entered into between the Company and Participant specifying the terms that should govern this specific Award (including the treatment upon certain terminations of employment), to the extent the applicable treatment in such other agreement or letter is more favorable than the treatment set forth herein and (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law.

By accepting this Award, Participant acknowledges having received and read the Performance Restricted Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of the terms and conditions set forth in these documents. Participant consents to receive the Plan and other related documents by electronic delivery and to participate in the Plan through an on-line or electronic system maintained by the Company or a third-party designated by the Company.

SQUARESPACE, INC.	**PARTICIPANT**
By: ______________________	______________________
Signature	Signature
Title: ______________________	Date: ______________________
Date: ______________________	

ATTACHMENTS: Award Agreement, including Exhibit A attached thereto

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ATTACHMENT I

SQUARESPACE, INC.

2021 EQUITY INCENTIVE PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Performance Restricted Stock Unit Grant Notice (the "**Grant Notice**") and this Performance Restricted Stock Unit Award Agreement and Exhibit A hereto (the "**Agreement**"), Squarespace, Inc. (the "**Company**") has awarded you ("**Participant**") a Performance Restricted Stock Unit Award (the "**Award**") pursuant to the Company's 2021 Equity Incentive Plan (as amended from time to time, the "**Plan**") for the target number of PRSUs indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Award, in addition to those set forth in the Grant Notice, are as follows.

1. GRANT OF THE AWARD. This Award represents the right to be issued on a future date one (1) share of Common Stock for each PRSU that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 below) as indicated in the Grant Notice. As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit (the "***Account***") the number of shares of Common Stock subject to the Award. Notwithstanding the foregoing, the Company reserves the right to issue you the cash equivalent of Common Stock, in part or in full satisfaction of the delivery of Common Stock in connection with the vesting of the PRSU, and, to the extent applicable, references in this Agreement and the Grant Notice to Common Stock issuable in connection with your PRSUs will include the potential issuance of its cash equivalent pursuant to such right. This Award was granted in consideration of your services to the Company.

2. VESTING. Subject to the limitations contained herein, your Award will vest, if at all, in accordance with the vesting schedule set forth on Exhibit A attached hereto.

3. NUMBER OF SHARES. The number of PRSUs subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan. Any additional PRSUs, shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other PRSUs and shares covered by your Award. Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Any fraction of a share will be rounded down to the nearest whole share.

4. SECURITIES LAW COMPLIANCE. You may not be issued any Common Stock under the Award unless the shares of Common Stock underlying the PRSUs are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. TRANSFER RESTRICTIONS. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award. For example, you may not use shares that may be issued in respect of your PRSUs as security for a loan. The restrictions on transfer set forth herein will lapse upon delivery to you of shares in respect of your vested PRSUs. Notwithstanding the foregoing, your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Award will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death.

6. DATE OF ISSUANCE. Any shares of Common Stock in respect of the PRSUs that become vested in accordance with this Agreement and Exhibit A attached hereto will be delivered to you on or as soon as practicable after the date on which such shares become vested, but in no event later than March 15 of the year following the year in which such vesting occurs. The form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

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7. DIVIDENDS. You shall receive no benefit or adjustment to the PRSUs with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment; provided, however, that this sentence will not apply with respect to any shares of Common Stock that are issued to you following the vesting of the PRSUs in accordance with Section 6.

8. RESTRICTIVE LEGENDS. The shares of Common Stock issued in respect of your Award shall be endorsed with appropriate legends as determined by the Company.

9. EXECUTION OF DOCUMENTS. You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

10. AWARD NOT A SERVICE CONTRACT.

(a) Nothing in this Agreement (including, but not limited to, the vesting of your Award or the issuance of the shares in respect of your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ or service of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the vesting schedule provided in the Grant Notice may not be earned unless (in addition to any other conditions described in the Grant Notice and this Agreement) you continue as an employee, director or consultant at the will of the Company and its Affiliates, as applicable (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "**reorganization**"). You acknowledge and agree that such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company's right to terminate your Continuous Service at any time, with or without your cause or notice, or to conduct a reorganization.

11. WITHHOLDING OBLIGATION.

(a) The Company may, in its sole discretion, satisfy any federal, state, local or foreign tax withholding obligation relating to this Award by any of the following means or by a combination of such means (the "**Withholding Obligation**"): (i) causing you to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award; provided, that the number of shares of Common Stock which may be so withheld or surrendered shall be limited to the number of shares of Common Stock which have a Fair Market Value on the date of withholding in such amount that will not cause adverse accounting consequences for the Company and its Affiliates and is permitted under applicable withholding rules promulgated by the Internal Revenue Service or another governmental entity; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to you; and/or (v) permitting or requiring you to enter into a "same day sale" commitment, if applicable, with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "**FINRA Dealer**"), pursuant to this authorization and without further consent, whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Restricted Stock Units to satisfy the Withholding Obligation and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Obligation directly to the Company and/or its

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Affiliates. Unless the Withholding Obligation is satisfied, the Company shall have no obligation to deliver to you any Common Stock or any other consideration pursuant to this Award.

(b) In the event the Withholding Obligation arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Withholding Obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

12. TAX CONSEQUENCES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

13. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

14. NOTICE. All notices, requests, demands, claims and other communications with respect to this Award shall be in writing (including electronically) and shall be deemed given if delivered by certified or registered mail (first class postage prepaid), guaranteed overnight delivery or email transmission, to the following address (or to such other addresses which the Company shall designate in writing to you from time to time):

Squarespace, Inc.
225 Varick Street, 12th Floor
New York, NY 10014
Attention: Legal Department
Email: legal@squarespace.com

15. HEADINGS. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

16. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

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17. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law, in each case whether implemented before, on or after the Date of Grant. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a resignation for "good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

18. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any Affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any Affiliate.

19. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

20. OTHER DOCUMENTS. You hereby acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

21. AMENDMENT.This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

22. COMPLIANCE WITH SECTION 409A OF THE CODE.This Award is intended to be exempt from the application of Section 409A of the Code, including but not limited to by reason of complying with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A- 1(b)(4) and any ambiguities herein shall be interpreted accordingly. Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and determined to be deferred compensation subject to Section 409A of the Code, this Award shall comply with Section 409A to the extent necessary to avoid adverse personal tax consequences and any ambiguities herein shall be interpreted accordingly. If it is determined that the Award is deferred compensation subject to Section 409A and you are a "**Specified Employee**" (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your "Separation from Service" (as defined in Section 409A), then the issuance of any shares that would otherwise be made upon the date of your Separation from Service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the Separation from Service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of adverse taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

* * * * *

This Performance Restricted Stock Unit Award Agreement shall be deemed to be signed by the Company and the Participant upon the signing by the Participant of the Performance Restricted Stock Unit Grant Notice to which it is attached.

EXHIBIT A

VESTING CRITERIA

1. **PERFORMANCE VESTING CRITERIA**.

Except as set forth in paragraph 3 or 4 below, the PRSUs will become eligible to vest if the Company's Adjusted EBITDA Margin (as defined below) as of December 31, 20XX is above XX% (the "Adjusted EBITDA Margin Hurdle"). If the Adjusted EBITDA Margin Hurdle is achieved, then the number of PRSUs eligible to vest pursuant to paragraph 2 below will be calculated based on the achievement of Adjusted EBITDA Margin and YOY Revenue Growth (as defined below) as of December 31, 20XX as set forth on the following chart (the "Earned PRSUs"):

Tier	Adjusted EBITDA Margin	Earned PRSUs (% of Target)	YoY Revenue Growth	Earned PRSUs (% of Target)
Tier 1	> XX%	20%	and YoY Revenue Growth is >XX%	20%
Tier 2	XX%	50%	and YoY Revenue Growth is XX%	50%
Tier 3	XX%	100%	and YoY Revenue Growth is XX%	100%
Tier 4	If Tier 3 is achieved and Adjusted EBITDA Margin is XX%	115%	OR If Tier 3 is achieved and YoY Revenue Growth is XX%	150%
Tier 5	If Tier 3 is achieved and Adjusted EBITDA Margin is XX% (or more)	130%	OR If Tier 3 is achieved and YoY Revenue Growth is XX% (or more)	200%

Linear interpolation applies between Tier 1 and Tier 5 and shall be determined by the Board in its sole discretion. The maximum number of Earned PRSUs will be 200% of the Target Number of PRSUs. If the Adjusted EBITDA Margin Hurdle is not achieved or the YoY Revenue Growth is equal to or below 16.8%, then no PRSUs will be eligible to vest and the PRSUs will be immediately forfeited at no cost to the Company and you will have no further right, title or interest in or to such Award or the shares of Common Stock to be issued in respect of such Award.

"Adjusted EBITDA Margin" means the Adjusted EBITDA, as defined in the Company's filings except to exclude any impact of 20XX inorganic activity, as of December 31, 20XX expressed as a percentage of revenue as of December 31, 20XX excluding any impact of revenue derived from 20XX inorganic activity.

"YoY Revenue Growth" means the percentage equal to the year-over-year growth of the Company's revenue as of December 31, 20XX as compared to December 31, 20XX. The YoY Revenue Growth will be measured based on a constant currency basis and exclude any impact of revenue derived from 20XX inorganic activity.

All such measurements and calculations may be adjusted by the Board in accordance with the Plan in its sole discretion. The Board can make adjustments to reflect any clerical or mathematical errors relating to the Award or the performance criteria as it determines in good faith to be necessary.

2. **SERVICE VESTING CRITERIA**. Except as set forth in paragraph 3 or 4 below,

a. One-third of the Earned PRSUs will become vested on the later of (i) the date the Board certifies that the performance criteria set forth in paragraph 1 above have been achieved or (ii) February 20, 20XX+1, in either case, subject to your Continuous Service through such vesting date (the "FirstVesting Date"); provided that, if such date falls on a weekend or holiday, the First Vesting Date shall be the first business day following such date.

b. One-third of the Earned PRSUs will become vested on February 20, 20XX+2 and the final onethird of the Earned PRSUs will become vested on February 20, 20XX+3, in each case, subject to your Continuous Service through such vesting date; provided that, if such date falls on a weekend or holiday, the vesting date shall be the first business day following such date.

3. **TERMINATION OF EMPLOYMENT**.

Vesting will cease upon the termination of your Continuous Service and any unvested PRSUs (including unvested Earned PRSUs) on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such Award or the shares of Common Stock to be issued in respect of such Award.

4. **CHANGE IN CONTROL**.

a. If a Change in Control occurs prior to the First Vesting Date, then the Board shall determine whether the Adjusted EBITDA Margin Hurdle has been achieved and the actual level of performance achieved of the Adjusted EBITDA Margin and the YOY Revenue Growth as of the effective date of the Change in Control; provided, that if the Board determines that either the Adjusted EBITDA Margin Hurdle, Adjusted EBITDA Margin or the YOY Revenue Growth is not determinable, then the Adjusted EBITDA Margin Hurdle will be deemed to have been achieved and the number of Earned PRSUs will be deemed to be at Tier 3.

b. As of the Change in Control, any Earned PRSUs (including any Earned PRSUs as a result of paragraph 4(a) above) will remain subject to the service vesting criteria set forth in paragraph 2; provided, that notwithstanding the terms of paragraph 3, any such Earned PRSUs shall become vested upon a Qualifying Termination (as defined in paragraph 4(c) below) occurring during the period beginning three (3) months prior to, and ending twelve (12) months following, a Change in Control.

c. The term "Qualifying Termination" means your Continuous Service ceasing due to a termination of employment without Cause or due to your resignation from employment with Good Reason (as defined below).

The term "Good Reason" has the meaning set forth in your employment agreement, offer letter or other similar written agreement between the Company and you and if no such definition exists, "Good Reason" means the occurrence of one of the following without your express written consent: (i) any reduction of your base salary by more than 10% (other than a general reduction in your base salary that affects all comparable employees of the Company); or (ii) a material reduction in your duties (including responsibilities and/or authorities), provided, however, that such a change (including a change in title) shall not be deemed a "material reduction" in and of itself unless your new duties are materially reduced from the prior duties; (iii) a change in the geographic location at which you must perform services to a facility or location of fifty (50) miles or more from your then current office location; provided, that Good Reason shall not exist unless you have provided written notice to the Board of the purported grounds for the Good Reason within 90 days of its initial existence and the Company has been provided at least 30 days to remedy the condition, and only if such condition has not been cured after the conclusion of such 30-day period.

[End of Exhibit A]

Exhibit 31.1

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Anthony Casalena, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Squarespace, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 7, 2024

/s/ Anthony Casalena

Anthony Casalena
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Nathan Gooden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Squarespace, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which

this report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 7, 2024

/s/ Nathan Gooden

Nathan Gooden
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certifications Of Principal Executive Officer And Chief Accounting Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002

In connection with the Quarterly Report of Squarespace, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 7, 2023 May 7, 2024 By: *Is/ Anthony Casalena*

Anthony Casalena
Chief Executive Officer
(Principal Executive Officer)

In connection with the Quarterly Report of Squarespace, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 7, 2023 May 7, 2024	By:	/s/ Nathan Gooden
		Nathan Gooden
		Chief Financial Officer
		(Principal Financial Officer)