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

# FORM 10-Q

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

**For the quarterly period ended October 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 No. 001-38464**

# Smartsheet Inc.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Washington** | **20-2954357** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **500 108th Ave NE, Suite 200** **Bellevue, WA** | **98004** |
| (Address of principal executive offices) | (Zip Code) |

**(844) 324-2360**

Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A common stock, no par value per share | SMAR | The 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 Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | 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 November 29, 2024, there were 140,001,769 shares of the registrant's Class A common stock outstanding.

**SMARTSHEET INC.**
**Quarterly Report on Form 10-Q**
**For the Quarterly Period Ended October 31, 2024**

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including but not limited to, statements regarding our future operating results and financial position, pending merger, our business plan and strategy, and market positioning, are forward-looking statements. We based these forward-looking statements on current expectations, estimates, forecasts, and projections as well as the beliefs and assumptions of management. Words including, but not limited to, “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “likely,” and variations of these terms or the negative of these terms and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described under Part II, Item 1A, “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect 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 may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or will occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations.

## Part I. Financial Information

### Item 1. Financial Statements

**SMARTSHEET INC.**

**Condensed Consolidated Statements of Operations**
**(in thousands, except per share data)**
**(unaudited)**

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Revenue** | | | | |
| Subscription | $ 273,703 | $ 232,470 | $ 786,328 | $ 659,993 |
| Professional services | 13,168 | 13,448 | 39,939 | 41,396 |
| Total revenue | 286,871 | 245,918 | 826,267 | 701,389 |
| **Cost of revenue** | | | | |
| Subscription | 41,445 | 34,258 | 115,216 | 101,009 |
| Professional services | 12,291 | 12,780 | 36,693 | 38,948 |
| Total cost of revenue | 53,736 | 47,038 | 151,909 | 139,957 |
| Gross profit | 233,135 | 198,880 | 674,358 | 561,432 |
| **Operating expenses** | | | | |
| Research and development | 63,477 | 58,257 | 189,514 | 172,805 |
| Sales and marketing | 127,854 | 137,920 | 383,315 | 382,685 |
| General and administrative | 45,155 | 38,153 | 124,489 | 109,654 |
| Total operating expenses | 236,486 | 234,330 | 697,318 | 665,144 |
| Loss from operations | (3,351) | (35,450) | (22,960) | (103,712) |
| Interest income | 8,272 | 6,976 | 24,934 | 18,040 |
| Other income (expense), net | 47 | (790) | (593) | (1,381) |
| Income (loss) before income tax provision | 4,968 | (29,264) | 1,381 | (87,053) |
| Income tax provision | 3,644 | 3,164 | 1,057 | 8,602 |
| Net income (loss) | $ 1,324 | $ (32,428) | $ 324 | $ (95,655) |
| Net income (loss) per share, basic | $ 0.01 | $ (0.24) | $ 0.00 | $ (0.71) |
| Net income (loss) per share, diluted | $ 0.01 | $ (0.24) | $ 0.00 | $ (0.71) |
| Weighted-average shares outstanding used to compute net income (loss) per share, basic | 139,007 | 135,189 | 138,287 | 133,868 |
| Weighted-average shares outstanding used to compute net income (loss) per share, diluted | 142,668 | 135,189 | 141,306 | 133,868 |

*See notes to condensed consolidated financial statements.*

**SMARTSHEET INC.**

**Condensed Consolidated Statements of Comprehensive Income (Loss)**
**(in thousands)**
**(unaudited)**

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income (loss) | $ 1,324 | $ (32,428) | $ 324 | $ (95,655) |
| Other comprehensive income (loss) | | | | |
| Net unrealized gain (loss) on available-for-sale securities | 363 | (25) | 340 | (45) |
| Foreign currency translation adjustments | (19) | (507) | 2 | (1,017) |
| Total other comprehensive income (loss) | 344 | (532) | 342 | (1,062) |
| Comprehensive income (loss) | $ 1,668 | $ (32,960) | $ 666 | $ (96,717) |

*See notes to condensed consolidated financial statements.*

**SMARTSHEET INC.**

**Condensed Consolidated Balance Sheets**
**(in thousands, except share data)**
**(unaudited)**

| | October 31, 2024 | January 31, 2024 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 454,281 | $ 282,094 |
| Short-term investments | 306,640 | 346,701 |
| Accounts receivable, net of allowances of $5,335 and $6,560, respectively | 200,436 | 238,708 |
| Prepaid expenses and other current assets | 69,840 | 64,366 |
| Total current assets | 1,031,197 | 931,869 |
| Restricted cash | 18 | 19 |
| Deferred commissions | 156,724 | 148,867 |
| Property and equipment, net | 39,139 | 42,362 |
| Operating lease right-of-use assets | 29,693 | 39,480 |
| Intangible assets, net | 20,635 | 27,960 |
| Goodwill | 141,477 | 141,477 |
| Other long-term assets | 4,408 | 5,445 |
| Total assets | $ 1,423,291 | $ 1,337,479 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,128 | $ 2,937 |
| Accrued compensation and related benefits | 74,840 | 77,453 |
| Other accrued liabilities | 37,309 | 30,534 |
| Operating lease liabilities, current | 15,288 | 16,040 |
| Finance lease liabilities, current | 255 | 216 |
| Deferred revenue | 556,320 | 568,670 |
| Total current liabilities | 685,140 | 695,850 |
| Operating lease liabilities, non-current | 23,936 | 33,100 |
| Finance lease liabilities, non-current | 279 | 455 |
| Deferred revenue, non-current | 4,095 | 1,785 |
| Other long-term liabilities | 696 | 434 |
| Total liabilities | 714,146 | 731,624 |
| Commitments and contingencies (Note 12) | | |
| Shareholders' equity: | | |
| Preferred stock, no par value;10,000,000 shares authorized, no shares issued or outstanding as of October 31, 2024 and January 31, 2024 | — | — |
| Class A common stock, no par value;500,000,000 shares authorized, 139,302,943 shares issued and outstanding as of October 31, 2024; 500,000,000 shares authorized, 136,884,011 shares issued and outstanding as of January 31, 2024 | — | — |
| Class B common stock, no par value;500,000,000 shares authorized, no shares issued or outstanding as of October 31, 2024 and January 31, 2024 | — | — |
| Additional paid-in capital | 1,621,429 | 1,468,805 |
| Accumulated other comprehensive income (loss) | 196 | (146) |
| Accumulated deficit | (912,480) | (862,804) |
| Total shareholders' equity | 709,145 | 605,855 |
| Total liabilities and shareholders' equity | $ 1,423,291 | $ 1,337,479 |

*See notes to condensed consolidated financial statements.*

**SMARTSHEET INC.**

**Condensed Consolidated Statements of Changes in Shareholders' Equity**
**(in thousands, except share data)**
**(unaudited)**

| | Three Months Ended October 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock (Class A and B) | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Shareholders' Equity |
| **Balances as of July 31, 2024** | 138,533,780 | $ — | $ 1,575,180 | $ (148) | $ (904,141) | $ 670,891 |
| Issuance of common stock under employee stock plans | 979,016 | — | 971 | — | — | 971 |
| Taxes paid related to net share settlement of equity awards | — | — | (971) | — | — | (971) |
| Share-based compensation expense | — | — | 46,249 | — | — | 46,249 |
| Other comprehensive income | — | — | — | 344 | — | 344 |
| Net income | — | — | — | — | 1,324 | 1,324 |
| Repurchases of Class A common stock and related costs | (209,853) | — | — | — | (9,663) | (9,663) |
| **Balances as of October 31, 2024** | 139,302,943 | $ — | $ 1,621,429 | $ 196 | $ (912,480) | $ 709,145 |

| | Three Months Ended October 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock (Class A and B) | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Shareholders' Equity |
| **Balances as of July 31, 2023** | 134,499,892 | $ — | $ 1,360,851 | $ (429) | $ (821,400) | $ 539,022 |
| Issuance of common stock under employee stock plans | 1,038,476 | — | 266 | — | — | 266 |
| Taxes paid related to net share settlement of equity awards | — | — | (494) | — | — | (494) |
| Share-based compensation expense | — | — | 50,971 | — | — | 50,971 |
| Other comprehensive loss | — | — | — | (532) | — | (532) |
| Net loss | — | — | — | — | (32,428) | (32,428) |
| **Balances as of October 31, 2023** | 135,538,368 | $ — | $ 1,411,594 | $ (961) | $ (853,828) | $ 556,805 |

*See notes to condensed consolidated financial statements.*

**SMARTSHEET INC.**

**Condensed Consolidated Statements of Changes in Shareholders' Equity**
**(in thousands, except share data)**
**(unaudited)**

| | Nine Months Ended October 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock (Class A and B) | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Shareholders' Equity |
| | Shares | Amount | | | | |
| **Balances as of January 31, 2024** | 136,884,011 | $ — | $ 1,468,805 | $ (146) | $ (862,804) | $ 605,855 |
| Issuance of common stock under employee stock plans | 3,546,635 | — | 22,127 | — | — | 22,127 |
| Taxes paid related to net share settlement of equity awards | — | — | (14,896) | — | — | (14,896) |
| Share-based compensation expense | — | — | 145,393 | — | — | 145,393 |
| Other comprehensive income | — | — | — | 342 | — | 342 |
| Net income | — | — | — | — | 324 | 324 |
| Repurchases of Class A common stock and related costs | (1,127,703) | — | — | — | (50,000) | (50,000) |
| **Balances as of October 31, 2024** | 139,302,943 | $ — | $ 1,621,429 | $ 196 | $ (912,480) | $ 709,145 |

| | Nine Months Ended October 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock (Class A and B) | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Shareholders' Equity |
| | Shares | Amount | | | | |
| **Balances as of January 31, 2023** | 131,845,028 | $ — | $ 1,243,730 | $ 101 | $ (758,173) | $ 485,658 |
| Issuance of common stock under employee stock plans | 3,693,340 | — | 12,497 | — | — | 12,497 |
| Taxes paid related to net share settlement of equity awards | — | — | (1,644) | — | — | (1,644) |
| Share-based compensation expense | — | — | 157,011 | — | — | 157,011 |
| Other comprehensive loss | — | — | — | (1,062) | — | (1,062) |
| Net loss | — | — | — | — | (95,655) | (95,655) |
| **Balances as of October 31, 2023** | 135,538,368 | $ — | $ 1,411,594 | $ (961) | $ (853,828) | $ 556,805 |

*See notes to condensed consolidated financial statements.*

**SMARTSHEET INC.**

**Condensed Consolidated Statements of Cash Flows**
**(in thousands, unaudited)**

| | Nine Months Ended October 31, | |
|---|---|---|
| | **2024** | **2023** |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 324 | $ (95,655) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Share-based compensation expense | 143,124 | 153,449 |
| Depreciation and amortization | 21,121 | 20,008 |
| Net amortization of premiums (discounts) on investments | (6,059) | (8,746) |
| Amortization of deferred commission costs | 50,328 | 38,439 |
| Unrealized foreign currency (gain) loss | (577) | 684 |
| Non-cash operating lease costs | 7,513 | 9,450 |
| Impairment of long-lived assets | 3,237 | 1,448 |
| Other, net | 5,495 | 3,089 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 33,770 | 16,541 |
| Prepaid expenses and other current assets | (5,576) | 1,060 |
| Other long-term assets | (1,039) | (1,401) |
| Accounts payable | (1,665) | (997) |
| Other accrued liabilities | 6,656 | 4,100 |
| Accrued compensation and related benefits | (5,483) | 2,021 |
| Deferred commissions | (58,185) | (58,705) |
| Deferred revenue | (9,952) | 25,439 |
| Other long-term liabilities | 262 | 278 |
| Operating lease liabilities | (10,544) | (12,326) |
| Net cash provided by operating activities | 172,750 | 98,176 |
| **Cash flows from investing activities** | | |
| Purchases of short-term investments | (235,421) | (375,387) |
| Maturities of short-term investments | 281,965 | 281,900 |
| Purchases of property and equipment | (1,437) | (2,097) |
| Proceeds from sale of property and equipment | 53 | 28 |
| Capitalized internal-use software development costs | (6,549) | (7,850) |
| Net cash provided by (used in) investing activities | 38,611 | (103,406) |
| **Cash flows from financing activities** | | |
| Proceeds from exercise of stock options | 10,957 | 1,330 |
| Taxes paid related to net share settlement of restricted stock units | (14,896) | (1,644) |
| Proceeds from contributions to Employee Stock Purchase Plan | 14,403 | 15,664 |
| Principal payments of finance leases | (141) | — |
| Repurchases of Class A Common Stock and related costs | (50,000) | — |
| Net cash provided by (used in) financing activities | (39,677) | 15,350 |
| Effects of changes in foreign currency exchange rates on cash, cash equivalents, and restricted cash | 379 | (248) |
| | | |
| Net increase in cash, cash equivalents, and restricted cash | 172,063 | 9,872 |
| Cash, cash equivalents, and restricted cash at beginning of period | 282,442 | 223,757 |
| Cash, cash equivalents, and restricted cash at end of period | $ 454,505 | $ 233,629 |

| | | |
|---|---|---|
| **Supplemental disclosures** | | |
| Cash paid for interest | $ 43 | $ — |
| Cash paid for income tax | 7,655 | 9,471 |
| Accrued purchases of property and equipment, including internal-use software | 1,081 | 1,264 |
| Share-based compensation expense capitalized in internal-use software development costs | 2,355 | 3,283 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | 558 | 1,684 |
| Right-of-use asset reductions related to operating leases | 2,832 | 4,451 |
| Purchases of fixed assets under finance leases | — | 693 |

*See notes to condensed consolidated financial statements.*

**SMARTSHEET INC.**

**Notes to Condensed Consolidated Financial Statements**
**(unaudited)**

## 1. Overview and Basis of Presentation

***Description of business***

Smartsheet Inc. (“Smartsheet ” the “Company,” “we,” “our”) was incorporated in the State of Washington in 2005, and is headquartered in Bellevue, Washington. Smartsheet, the enterprise work management platform, empowers organizations to innovate and achieve results quickly, securely, and at scale through streamlined collaboration and effective workflow management. By uniting people, content, and work, Smartsheet provides powerful capabilities that revolutionize the way teams operate. Smartsheet makes outcomes reliable, keeps customer data safe, and ensures users are on the same page, making it ideal for organizations seeking efficient, impactful collaborative work management. The Company also offers professional services, which primarily consist of consulting and training services.

On September 24, 2024, the Company entered into an Agreement and Plan of Merger, (the “Merger Agreement”), with Einstein Parent, Inc., (“Parent), and Einstein Merger Sub, Inc., (“Merger Sub”). Parent and Merger Sub are affiliates of investment funds managed by Blackstone Inc. (“Blackstone”), Vista Equity Partners (“Vista”), and a wholly owned subsidiary of the Abu Dhabi Investment Authority (“ADIA”). The Merger Agreement provides that, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Smartsheet, which we refer to as the Merger, with Smartsheet surviving the Merger and becoming a wholly owned subsidiary of Parent.

Pursuant to the Merger Agreement, at the effective time of the Merger, each share of Class A common stock, issued and outstanding immediately prior to the effective time (except for certain shares specified in the Merger Agreement) will be automatically converted into the right to receive cash in an amount equal to $56.50, without interest.

The Company's Board of Directors (i) determined that it was in the best interests of our Company and our shareholders, and declared it advisable, to enter into the Merger Agreement, (ii) approved the execution, delivery and performance of the Merger Agreement and the consummation of the transactions contemplated thereby, including the Merger, with our Company surviving the Merger as a wholly owned Subsidiary of Parent, in accordance with the Washington Business Corporation Act, (iii) resolved to recommend that the shareholders of our company approve the Merger Agreement, and (iv) directed that the Merger Agreement be submitted to the shareholders of our company at the Company Shareholder Meeting for their approval.

Either the Company or Parent may terminate the Merger Agreement in certain circumstances, including if (i) the Merger is not completed by April 24, 2025 (the “End Date”), subject to certain limitations, and provided that the End Date will automatically be extended to September 24, 2025 if certain regulatory conditions have not been satisfied as of the close of business on the date that is two business days immediately prior to the then-current End Date, (ii) a governmental authority of competent jurisdiction has issued a final non-appealable governmental order prohibiting the Merger, subject to certain exceptions, (iii) the Company’s shareholders fail to adopt the Merger Agreement, or (iv) the other party materially breaches its representations, warranties or covenants in the Merger Agreement, subject in certain cases to the right of the breaching party to cure the breach. Parent may terminate the Merger Agreement if, prior to receipt of the approval of the Company’s shareholders, the Board changes or withdraws its recommendation in favor of the Merger. The Company and Parent may also terminate the Merger Agreement by mutual written consent.

The Merger is expected to close in the fourth quarter of the Company’s fiscal year ending January 31, 2025, subject to customary closing conditions and approvals. Upon consummation of the Merger, the Company will cease to be a publicly traded company and our Class A common stock will be delisted from the New York Stock Exchange.

***Basis of presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated balance sheet as of January 31, 2024 was derived from the audited consolidated financial statements as of that date but does not include all of the information and notes required by GAAP for complete financial statements. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended January 31, 2024, filed with the SEC on March 20, 2024.

The condensed consolidated financial statements include the results of Smartsheet Inc. and its wholly owned subsidiaries, including those located in the United States, the United Kingdom, Germany, Australia, Japan, and Costa Rica. All intercompany balances and transactions have been eliminated upon consolidation.

In the opinion of management, the information contained herein reflects all adjustments necessary for a fair presentation of our condensed consolidated financial statements. All such adjustments are of a normal, recurring nature. The results of operations for the three and nine months ended October 31, 2024 are not necessarily indicative of results to be expected for the full year ending January 31, 2025, or for any other interim period, or for any future year.

***Use of estimates***

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. The Company continuously evaluates its estimates, which are based on historical experience and other current assumptions that its management believes are reasonable under the circumstances. Actual results could differ from those estimates. The Company's most significant estimates and judgments involve the measurement of fair values of share-based compensation awards; determination of the amortization period for capitalized sales commission costs; and revenue recognition with respect to the allocation of transaction consideration for the Company's offerings, among others.

**2. Summary of Significant Accounting Policies**

For a summary of the Company's significant accounting policies refer to Note 2, *Summary of Significant Accounting Policies,* of our Annual Report on Form 10-K for the fiscal year ended January 31, 2024.

***Segment information***

The Company operates as one operating segment. The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information for purposes of making operating decisions, assessing financial performance, and allocating resources.

***Concentrations of risk and significant customers***

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents, short-term investments, and accounts receivable. The Company maintains its cash accounts with financial institutions where deposits, at times, exceed the Federal Deposit Insurance Corporation ("FDIC") limits.

No individual customer represented more than 10% of accounts receivable as of October 31, 2024 or January 31, 2024. No individual customer represented more than 10% of revenue for the three and nine months ended October 31, 2024 or 2023.

***Share Repurchases***

The Company elected to record the excess of the repurchase price over the par value of the repurchased shares of its Class A common stock to accumulated deficit, along with any associated transaction costs and excise taxes. The shares are immediately retired and returned to the status of authorized but unissued upon repurchase.

***Net income (loss) per share***

The Company calculates basic net income (loss) per share by dividing net income (loss) by the weighted-average number of the Company's common stock shares outstanding during the respective period. For periods where we report net income, the Company will use the treasury stock method to calculate diluted net income per share by adjusting basic net income per share for the potential dilutive impacts of outstanding stock options, restricted stock units ("RSUs"), performance share units ("PSUs"), and shares issuable pursuant to our 2018 Employee Stock Purchase Plan ("ESPP"). For periods where we report a net loss, all potentially dilutive shares are antidilutive and therefore, no adjustment to the denominator is made.

***Recent accounting pronouncements***

There have been no recent accounting pronouncements, changes in accounting pronouncements, or recently adopted accounting guidance during the nine months ended October 31, 2024 that have had a material impact on our condensed consolidated financial statements.

***Recent accounting pronouncements not yet adopted***

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. The new guidance requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280, on an interim and annual basis. The standard is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of adopting ASU 2023-09.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires additional disclosure of the nature of expenses included in the income statement. The standard requires disclosures about specific types of expenses included in the expense captions presented in the income statement as well as disclosures about selling expenses. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The requirements should be applied on a prospective basis while retrospective application is permitted. We are currently evaluating the impact of adopting ASU 2024-03.

**3. Revenue from Contracts with Customers**

During the three months ended October 31, 2024 and 2023, the Company recognized $240.5 million and $200.5 million of subscription revenue, respectively, and $4.5 million and $4.4 million of professional services revenue, respectively, which were included in the deferred revenue balance as of July 31, 2024 and 2023, respectively.

During the nine months ended October 31, 2024 and 2023, the Company recognized $ 508.8 million and $406.1 million of subscription revenue, respectively, and $7.7 million and $7.0 million of professional services revenue, respectively, which were included in the deferred revenue balance as of January 31, 2024 and 2023, respectively.

As of October 31, 2024, approximately $791.9 million of revenue, including amounts already invoiced and amounts contracted but not yet invoiced, was expected to be recognized from remaining performance obligations, of which $785.5 million related to subscriptions and $ 6.4 million related to professional services. Approximately 82% of revenue related to remaining performance obligations is expected to be recognized in the next 12 months.

**4. Deferred Commissions**

Deferred commissions were $156.7 million as of October 31, 2024 and $148.9 million as of January 31, 2024.

Amortization expense for deferred commissions was $17.7 million and $14.1 million for the three months ended October 31, 2024 and 2023, respectively, and $ 50.3 million and $38.4 million for the nine months ended October 31, 2024 and 2023, respectively. Deferred commissions are amortized over a period of four years. The amortization expense is recorded in sales and marketing on the Company's condensed consolidated statements of operations.

**5. Net Income (Loss) Per Share**

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of the Company's common stock shares outstanding during the respective period. Diluted net income (loss) per share is computed by adjusting basic net income per share for the potential dilutive impacts of outstanding stock options, RSUs, PSUs, and shares issuable pursuant to our ESPP. We determine the dilutive effect of outstanding common stock awards using the treasury stock method.

The following table presents calculations for basic and diluted net income (loss) per share (in thousands, except per share data):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Numerator: | | | | |
| Net income (loss); basic and diluted | $ 1,324 | $ (32,428) | $ 324 | $ (95,655) |
| Denominator: | | | | |
| Weighted-average shares outstanding; basic | 139,007 | 135,189 | 138,287 | 133,868 |
| Effect of dilutive securities: | | | | |
| Shares subject to outstanding common stock awards | 3,661 | — | 3,019 | — |
| Weighted-average shares outstanding; diluted | 142,668 | 135,189 | 141,306 | 133,868 |
| Net income (loss) per share: | | | | |
| Basic | $ 0.01 | $ (0.24) | $ 0.00 | $ (0.71) |
| Diluted | $ 0.01 | $ (0.24) | $ 0.00 | $ (0.71) |

The following outstanding shares of common stock awards were excluded from the computation of diluted net income (loss) per share for the periods presented because the impact of including them would have been anti-dilutive (in thousands):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Shares subject to outstanding common stock awards | 1,129 | 11,873 | 1,753 | 11,873 |
| Shares issuable pursuant to the 2018 Employee Stock Purchase Plan | — | 313 | — | 313 |
| Total potentially dilutive shares | 1,129 | 12,186 | 1,753 | 12,186 |

### 6. Investments

The following tables present the amortized costs, unrealized gains and losses, and estimated fair values of the Company's available-for-sale investments, including those securities classified within "Cash and cash equivalents" in the condensed consolidated balance sheets (in thousands):

| | October 31, 2024 | | | |
|---|---|---|---|---|
| | Amortized Cost(1) | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| Cash equivalents: | | | | |
| Money market funds | $ 169,797 | $ — | $ — | $ 169,797 |
| Total cash equivalents | 169,797 | — | — | 169,797 |
| Short-term investments: | | | | |
| Corporate bonds | 138,643 | 468 | (59) | 139,052 |
| U.S. Treasury securities | 155,043 | 212 | (37) | 155,218 |
| Agency securities | 12,322 | 48 | — | 12,370 |
| Total short-term investments | 306,008 | 728 | (96) | 306,640 |
| Total | $ 475,805 | $ 728 | $ (96) | $ 476,437 |

*(1) Excludes interest receivable of $3.6 million, which is included in Prepaid expenses and other current assets on the condensed consolidated balance sheets.*

| | January 31, 2024 | | | |
|---|---|---|---|---|
| | Amortized Cost(1) | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| Cash equivalents: | | | | |
| Money market funds | $ 79,082 | $ — | $ — | $ 79,082 |
| Commercial paper | 4,497 | — | — | 4,497 |
| Total cash equivalents | 83,579 | — | — | 83,579 |
| Short-term investments: | | | | |
| Corporate bonds | 99,547 | 158 | (9) | 99,696 |
| U.S. Treasury securities | 169,825 | 123 | — | 169,948 |
| Commercial paper | 57,755 | — | — | 57,755 |
| Agency securities | 19,282 | 21 | (1) | 19,302 |
| Total short-term investments | 346,409 | 302 | (10) | 346,701 |
| Total | $ 429,988 | $ 302 | $ (10) | $ 430,280 |

*(1) Excludes interest receivable of $1.5 million, which is included in Prepaid expenses and other current assets on the condensed consolidated balance sheets.*

The Company does not intend to sell, nor is it more likely than not that we will be required to sell, any investments in unrealized loss positions before recovery of their amortized cost basis. We did not recognize any credit losses related to our available-for-sale investments during the three and nine months ended October 31, 2024 or 2023. The unrealized gains and losses on these short-term investments were primarily due to changes in interest rates subsequent to the initial purchase. There were no material realized gains or losses from available-for-sale securities that were reclassified out of accumulated other comprehensive income (loss) during the three and nine months ended October 31, 2024 or 2023. None of the short-term available-for-sale investments held as of October 31, 2024 or January 31, 2024 were in a continuous unrealized loss position for greater than 12 months.

The following table presents the contractual maturities of the Company's short-term available-for-sale investments (in thousands):

| | October 31, 2024 | |
|---|---|---|
| | Amortized Cost | Estimated Fair Value |
| Due within one year | $ 200,971 | $ 201,180 |
| Due between one to five years | 105,037 | 105,460 |
| Total | $ 306,008 | $ 306,640 |

## 7. Fair Value Measurements

Assets and liabilities recorded at fair value in the condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The lowest level of significant input determines the placement of the fair value measurement within the following hierarchical levels:

- *Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3:* Unobservable inputs that are supported by little or no market activity.

***Assets and liabilities measured at fair value on a recurring basis***

The following tables present information about the Company's financial assets and liabilities that are measured at fair value and indicate the fair value hierarchy of the valuation inputs used (in thousands):

| | October 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents: | | | | |
| Money market funds | $ 169,797 | $ — | $ — | $ 169,797 |
| Total cash equivalents | 169,797 | — | — | 169,797 |
| Short-term investments: | | | | |
| Corporate bonds | — | 139,052 | — | 139,052 |
| U.S. Treasury securities | — | 155,218 | — | 155,218 |
| Commercial paper | — | — | — | — |
| Agency securities | — | 12,370 | — | 12,370 |
| Total short-term investments | — | 306,640 | — | 306,640 |
| Total | $ 169,797 | $ 306,640 | $ — | $ 476,437 |

| | January 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents: | | | | |
| Money market funds | $ 79,082 | $ — | $ — | $ 79,082 |
| Commercial paper | — | 4,497 | — | 4,497 |
| Total cash equivalents | 79,082 | 4,497 | — | 83,579 |
| Short-term investments: | | | | |
| Corporate bonds | — | 99,696 | — | 99,696 |
| U.S. Treasury securities | — | 169,948 | — | 169,948 |
| Commercial paper | — | 57,755 | — | 57,755 |
| Agency securities | — | 19,302 | — | 19,302 |
| Total short-term investments | — | 346,701 | — | 346,701 |
| Total | $ 79,082 | $ 351,198 | $ — | $ 430,280 |

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, and accounts payable, approximate fair value due to their short-term maturities and are excluded from the fair value tables above.

It is the Company's policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. The Company does not transfer out of Level 3 and into Level 2 until observable inputs become available and reliable. There were no transfers between fair value measurement levels during the three and nine months ended October 31, 2024 or 2023.

***Assets and liabilities measured at fair value on a non-recurring basis***

See Note 8, *Goodwill and Net Intangible Assets*, of these notes to our condensed consolidated financial statements for fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis.

The Company's long-lived assets are measured at fair value on a non-recurring basis and are reduced if the assets are determined to be impaired. The fair value of the operating lease right-of-use ("ROU") assets and associated property and equipment was estimated as of the sublease execution date using an income approach by converting future sublease cash inflows and outflows to a single present value. Estimated cash flows were discounted at a rate commensurate with the inherent risks associated with the asset group to arrive at an estimate of fair value. See Note 11, *Leases*, of these notes to our condensed consolidated financial statements for further details on the impairment charges we recorded. As a result of the subjective nature of unobservable inputs used, these assets are classified within Level 3 of the fair value hierarchy.

### 8. Goodwill and Net Intangible Assets

There were no changes in the carrying amount of goodwill or measurement period adjustments during the nine months ended October 31, 2024.

The following table presents the components of net intangible assets (in thousands):

| | October 31, 2024 | | | January 31, 2024 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Software technology | $ 28,491 | $ (23,704) | $ 4,787 | $ 28,491 | $ (20,231) | $ 8,260 |
| Customer relationships | 34,072 | (20,454) | 13,618 | 34,072 | (16,941) | 17,131 |
| Trade names | 4,100 | (1,935) | 2,165 | 4,100 | (1,601) | 2,499 |
| Patents | 170 | (149) | 21 | 170 | (144) | 26 |
| Domain names | 44 | — | 44 | 44 | — | 44 |
| Total | $ 66,877 | $ (46,242) | $ 20,635 | $ 66,877 | $ (38,917) | $ 27,960 |

The following table presents the components of acquired intangible assets (dollars in thousands):

| | October 31, 2024 | | January 31, 2024 | |
|---|---|---|---|---|
| | Net Carrying Amount | Weighted- Average Life (Years) | Net Carrying Amount | Weighted- Average Life (Years) |
| Software technology | $ 4,787 | 1.6 | $ 8,260 | 2.1 |
| Customer relationships | 13,618 | 3.0 | 17,131 | 3.7 |
| Trade names | 2,165 | 4.8 | 2,499 | 5.6 |
| Total | $ 20,570 | 2.8 | $ 27,890 | 3.4 |

Amortization expense related to intangible assets was $ 2.3 million and $2.7 million for the three months ended October 31, 2024 and 2023, respectively, and $ 7.3 million and $8.1 million for the nine months ended October 31, 2024 and 2023, respectively. As of October 31, 2024, estimated remaining amortization expense for the finite-lived intangible assets by fiscal year is as follows (in thousands):

| | |
|---|---|
| Remainder of Fiscal 2025 | $ 2,309 |
| Fiscal 2026 | 7,916 |
| Fiscal 2027 | 5,750 |
| Fiscal 2028 | 3,454 |
| Fiscal 2029 | 721 |
| Thereafter | 441 |
| Total | $ 20,591 |

### 9. Shareholders' Equity

The Company has issued incentive and non-qualifying stock options to employees and non-employee directors under the 2005 Stock Option/Restricted Stock Plan, the 2015 Equity Incentive Plan (the "2015 Plan"), and the 2018 Equity Incentive Plan (the "2018 Plan"). Employee stock options are granted with exercise prices at the fair value of the underlying common stock on the grant date, generally vest, based on continuous employment, over three or four years, and expire 10 years from the date of grant.

The Company has also issued RSUs to employees and non-employee directors pursuant to the 2015 Plan and the 2018 Plan. Employee RSUs are measured based on the grant-date fair value of the awards and generally vest, based on continuous employment, over three or four years.

The Company has also issued market-based PSUs to certain executives pursuant to the 2018 Plan. The number of shares that can be earned range from 0% to 200% of the target number of shares, based on the relative growth of the Company's total shareholder return as compared to the total shareholder return of the Standard & Poor's ("S&P") Software and Services Select Index. PSUs vest over a three-year period, subject to continuous service with the Company. Share-based compensation expense for PSUs with market conditions is measured using a Monte Carlo simulation approach and recorded over the vesting period under the graded-vesting attribution method.

The target number of PSUs granted was 195,948 shares during the year ended January 31, 2024 and 194,624 shares during the nine months ended October 31, 2024. No shares were granted during the three months ended October 31, 2024. These PSUs are measured over a two-year performance period ending in the fourth quarter of fiscal year 2026. PSU's granted during the year ended January 31, 2023 have two separate performance periods. The first tranche of awards, which had a one-year performance period, vested during the year ended January 31, 2024. The second tranche of awards is measured over a two-year performance period starting on the date of grant and ending in the fourth quarter of fiscal year ending January 31, 2025.

***Stock options***

The following table includes a summary of the option activity during the nine months ended October 31, 2024:

| | Number of Options | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding at January 31, 2024 | 3,517,075 | $ 24.77 |
| Granted | — | — |
| Exercised | (712,219) | 15.38 |
| Forfeited or canceled | (163,276) | 61.25 |
| Outstanding at October 31, 2024 | 2,641,580 | 25.04 |
| Exercisable at October 31, 2024 | 2,466,276 | 22.86 |

***Restricted stock units***

The following table includes a summary of the RSU activity during the nine months ended October 31, 2024:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Outstanding at January 31, 2024 | 8,798,624 | $ 45.41 |
| Granted | 1,085,216 | 42.69 |
| Vested | (2,874,718) | 46.43 |
| Forfeited or canceled | (1,184,921) | 44.72 |
| Outstanding at October 31, 2024 | 5,824,201 | 44.53 |

***Performance share units***

The following table includes a summary of the PSU activity during the nine months ended October 31, 2024:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Outstanding at January 31, 2024 | 321,463 | $ 50.54 |
| Granted | 194,624 | 34.27 |
| Vested | — | — |
| Forfeited or canceled | (63,206) | 50.61 |
| Outstanding at October 31, 2024 | 452,881 | 43.53 |

***2018 Employee Stock Purchase Plan***

The Company adopted the ESPP on April 26, 2018, with the effective date of our Initial Public Offering. Under the ESPP, eligible employees are able to purchase shares of the Company's Class A common stock at a discount through payroll deductions of up to 15% of their compensation, subject to plan limitations. Purchases are accomplished through participation in discrete offering periods. Each offering period is six months (commencing each January 1 and July 1), with a purchase date following the end of the period, unless otherwise determined by our board of directors or our compensation committee. Employees may purchase shares at 85% of the lesser of the fair market value of the Company's Class A common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of the purchase period in the applicable offering period.

***Shares available for issuance***

The following table includes a summary of the activity of shares available for issuance under the 2018 Plan and the ESPP during the nine months ended October 31, 2024:

| | 2018 Plan | ESPP |
|---|---|---|
| Balance at January 31, 2024 | 18,985,254 | 5,572,546 |
| Authorized | 6,844,200 | 1,368,840 |
| Granted | (1,279,840) | (298,236) |
| Forfeited or canceled | 1,411,403 | — |
| Balance at October 31, 2024 | 25,961,017 | 6,643,150 |

The aggregate number of shares reserved for issuance under the ESPP will increase automatically on February 1 of each of the first 10 calendar years after the first offering date. The increase of shares is equal to 1% of the total outstanding shares of the Company's Class A and Class B common stock as of the immediately preceding January 31 (rounded to the nearest whole share), or such lesser number of shares as may be determined by our board of directors. The aggregate number of shares issued under the ESPP, subject to stock-splits, recapitalizations or similar events, may not exceed 20,400,000 shares of the Company's common stock.

As of October 31, 2024, $6.2 million has been withheld on behalf of our employees for a future purchase under the ESPP and is recorded in accrued compensation and related benefits in the condensed consolidated balance sheets.

***Share-based compensation expense***

Share-based compensation expense included in the condensed consolidated statements of operations was as follows (in thousands):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Cost of subscription revenue | $ 2,983 | $ 3,164 | $ 9,055 | $ 9,980 |
| Cost of professional services revenue | 1,485 | 1,777 | 4,734 | 5,602 |
| Research and development | 17,763 | 17,220 | 54,036 | 52,263 |
| Sales and marketing | 14,453 | 17,462 | 45,472 | 55,505 |
| General and administrative | 9,151 | 10,024 | 29,827 | 30,099 |
| Total share-based compensation expense | $ 45,835 | $ 49,647 | $ 143,124 | $ 153,449 |

The Company has excluded $0.4 million and $1.3 million of capitalized software development costs from share-based compensation expense for the three months ended October 31, 2024 and 2023, respectively, and $2.3 million and $3.6 million of capitalized software development costs from share-based compensation expense for the nine months ended October 31, 2024 and 2023, respectively.

As of October 31, 2024, there was a total of $ 234.2 million of unrecognized share-based compensation expense, which is expected to be recognized over a weighted-average period of 1.6 years.

***Share Repurchase Program***

In April 2024, the Company's Board of Directors authorized the repurchase of up to $ 150.0 million of the Company's outstanding Class A common stock. During the three months ended October 31, 2024, we repurchased 0.2 million shares of our Class A common stock at an average price of $ 46.05 per share, for aggregate repurchases of $9.7 million. During the nine months ended October 31, 2024, we repurchased 1.1 million shares of our Class A common stock at an average price of $ 44.34 per share, for aggregate repurchases of $50.0 million.

**10. Income Taxes**

The provision for income taxes for interim tax periods is generally determined using an estimate of the Company's annual effective tax rate, excluding jurisdictions for which no tax benefit can be recognized due to valuation allowances, and adjusted for discrete tax items in the period. Each quarter the Company updates its estimate of the annual effective tax rate and makes a cumulative adjustment if the estimated annual tax rate has changed.

The Company's effective tax rate generally differs from the U.S. federal statutory tax rate primarily due to valuation allowances on deferred tax assets, U.S. Base Erosion and Anti-Abuse Tax ("BEAT"), state taxes, and non-deductible share-based compensation offset by tax credits and Foreign Derived Intangible Income ("FDII") deductions.

The Company recorded a provision for income taxes of $ 3.6 million and $3.2 million for the three months ended October 31, 2024 and 2023, respectively, and $ 1.1 million and $8.6 million for the nine months ended October 31, 2024 and 2023, respectively. The provision is primarily attributable to BEAT, income taxes in foreign jurisdictions, and state income taxes.

The Tax Cuts and Jobs Act of 2017 amended Internal Revenue Code Section 174 to require that specific research and experimental expenditures be capitalized and amortized over five years for U.S. activities and fifteen years for foreign activities beginning in fiscal year 2023. As a result, the Company has been utilizing some of its federal and state tax attributes and incurring cash taxes due to this provision.

**11. Leases**

The Company has operating leases primarily related to corporate offices and finance leases related to computer equipment. Our finance lease ROU assets are included in property and equipment, net in the condensed consolidated balance sheets. Our leases have remaining lease terms of less than one year to five years, some of which include options to extend the leases for up to five years.

The components of lease expense recorded in the condensed consolidated statements of operations were as follows (in thousands):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Operating lease cost | $ 3,048 | $ 4,234 | $ 9,567 | $ 12,163 |
| Finance lease cost: | | | | |
| Amortization of assets | 55 | 18 | 164 | 18 |
| Interest on lease liabilities | 13 | 6 | 43 | 6 |
| Short-term lease cost | 193 | 97 | 488 | 418 |
| Variable lease cost | 671 | 903 | 2,045 | 2,576 |
| Sublease income | (912) | (573) | (2,451) | (1,667) |
| Total lease costs | $ 3,068 | $ 4,685 | $ 9,856 | $ 13,514 |

Other information related to leases was as follows (dollars in thousands):

| | Nine Months Ended October 31, | |
|---|---|---|
| | 2024 | 2023 |
| **Supplemental cash flow information** | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 12,524 | $ 14,507 |
| Operating cash flows from finance leases | 43 | 6 |
| Financing cash flows from finance leases | 141 | — |
| Right-of-use assets obtained in exchange for new lease liabilities: | | |
| Operating leases | 558 | 1,684 |
| Finance leases | — | 693 |
| Right-of-use asset reductions related to operating leases | 2,832 | 4,451 |
| **Weighted-average remaining lease term (in years)** | | |
| Operating leases | 3.4 | 4.1 |
| Finance leases | 1.9 | 2.9 |
| **Weighted-average discount rate** | | |
| Operating leases | 5.4% | 5.5% |
| Finance leases | 9.9% | 9.9% |

As of October 31, 2024, remaining maturities of lease liabilities were as follows (in thousands):

| | Operating Leases | Finance Leases |
|---|---|---|
| Remainder of Fiscal 2025 | $ 4,121 | $ 68 |
| Fiscal 2026 | 14,932 | 270 |
| Fiscal 2027 | 10,978 | 225 |
| Fiscal 2028 | 6,511 | — |
| Fiscal 2029 | 5,306 | — |
| Thereafter | 1,357 | — |
| Total lease payments | 43,205 | 563 |
| Less: imputed interest | (3,981) | (29) |
| Total | $ 39,224 | $ 534 |

As of October 31, 2024, the future total minimum sublease payments to be received were as follows (in thousands):

| | Sublease Receipts |
|---|---|
| Remainder of Fiscal 2025 | $ 1,011 |
| Fiscal 2026 | 3,428 |
| Fiscal 2027 | 1,559 |
| Fiscal 2028 | — |
| Fiscal 2029 | — |
| Thereafter | — |
| Total | $ 5,998 |

The Company has vacated certain of its previous corporate offices and entered into sublease agreements for certain fully furnished floors. We evaluated the associated asset groups for impairment, which included the ROU assets and underlying property and equipment on each subleased floor. We compared the expected future undiscounted cash flows to the carrying value and determined that the respective asset groups were not recoverable. We then calculated the fair value based on the present value of the estimated cash flows from each sublease for the remaining lease term and compared it to the carrying value, which resulted in a $3.2 million impairment charge for the nine months ended October 31, 2024. No additional impairment was recorded in the three months ended October 31, 2024. For the three and nine months ended October 31, 2023, we recorded a $ 1.4 million impairment charge. The impairment charges were included in general and administrative expenses in the condensed consolidated statements of operations.

**12. Commitments and Contingencies**

***Legal matters***

From time to time, in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings. Although management currently believes that resolution of such matters, individually and in the aggregate, will not have a material impact on our financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties, and management’s view of these matters may change in the future.

## 13. Geographic Information

***Revenue***

Revenue by geographic location is determined by the location of the Company's customers. The following table sets forth revenue by geographic area (in thousands):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| United States | $ 243,841 | $ 207,165 | $ 701,015 | $ 591,982 |
| EMEA | 22,944 | 20,149 | 66,247 | 56,631 |
| APJ | 9,762 | 8,996 | 28,296 | 25,869 |
| Americas other than the United States | 10,324 | 9,608 | 30,709 | 26,907 |
| Total | $ 286,871 | $ 245,918 | $ 826,267 | $ 701,389 |

No individual country other than the United States contributed more than 10% of total revenue during the three and nine months ended October 31, 2024 or 2023.

***Long-lived assets***

Long-lived assets by geographic location is based on the location of the legal entity that owns the asset. The following table sets forth long-lived assets by geographic area (in thousands):

| | October 31, 2024 | January 31, 2024 |
|---|---|---|
| United States | $ 33,081 | $ 45,743 |
| EMEA | 2,046 | 2,266 |
| APJ | 3,147 | 3,793 |
| Americas other than the United States | 1,150 | 573 |
| Total | $ 39,424 | $ 52,375 |

The table above includes property and equipment, net and operating lease ROU assets and excludes capitalized internal-use software costs and intangible assets.

**14. Supplemental Condensed Consolidated Financial Statement Information**

***Prepaid expenses and other current assets***

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

| | October 31, 2024 | | January 31, 2024 | |
|---|---|---|---|---|
| Prepaid expenses | | 55,947 | $ | 57,685 |
| Other current assets | | 13,893 | | 6,681 |
| Total prepaid expenses and other current assets | $ | 69,840 | $ | 64,366 |

***Restricted cash***

Restricted cash was $0.2 million and $0.3 million as of October 31, 2024 and January 31, 2024, respectively, primarily related to Australian employee contributions to the ESPP.

Cash as reported on the condensed consolidated statements of cash flows includes the aggregate amounts of cash and cash equivalents and restricted cash as shown on the condensed consolidated balance sheets. Cash as reported on the condensed consolidated statements of cash flows consisted of the following (in thousands):

| | October 31, | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| Cash and cash equivalents | $ | 454,281 | $ | 233,247 |
| Restricted cash included in prepaid expenses and other current assets | | 206 | | 198 |
| Restricted cash | | 18 | | 184 |
| Total cash, cash equivalents, and restricted cash | $ | 454,505 | $ | 233,629 |

## 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 related notes included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended January 31, 2024. In addition to historical financial information, the following discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. These statements are often identified by the use of words including, but not limited to, "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to those discussed in the section titled "Risk Factors" and in other parts of this Quarterly Report on Form 10-Q. Our fiscal year ends January 31.*

### Overview

Smartsheet, the enterprise work management platform, empowers organizations to innovate and achieve results quickly and securely at scale through effective collaboration and streamlined workflows. By uniting people, content, and work, Smartsheet provides powerful capabilities that revolutionize the way teams operate. Smartsheet makes outcomes reliable, keeps customer data safe, and ensures users are aligned, making it ideal for organizations seeking efficient, impactful collaborative work management.

We generate revenue primarily from the sale of subscriptions to our cloud-based platform for work management. For subscriptions, customers select the plan that meets their needs and can begin using Smartsheet within minutes. We offer three paid subscription levels to new customers: Pro, Business, and Enterprise, the pricing for which varies by the features provided. Customers can also purchase capabilities a la carte or in a bundle through our Smartsheet Advanced Work Management options for Enterprise subscriptions, which provide capabilities that enable customers to implement solutions for a specific use case or for large scale projects, initiatives, or processes. These capabilities include Connectors, Control Center, Dynamic View, Data Shuttle, Bridge, Calendar App, Pivot App, and DataMesh. Customers with additional security and governance needs can purchase Smartsheet Safeguard, which provides capabilities to support oversight, security, and ongoing policy management. Safeguard is available as an add-on to Enterprise and Advanced Work Management plans. Additional subscriptions that can be integrated with our cloud-based platform include Resource Management, a resource planning solution that helps businesses plan and allocate resources across their programs, track and manage time, and forecast hiring needs; and Brandfolder, a digital asset management platform that enables users to easily organize, discover, control, distribute, and share digital assets. Professional services are offered to help customers create and administer work management solutions for specific use cases and for training purposes.

Customers can begin using our platform by purchasing a subscription directly from our website, through our sales force, starting a free trial, or working as a collaborator on a project.

### Pending Merger

On September 24, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Einstein Parent, Inc. ("Parent") and Einstein Merger Sub, Inc. ("Merger Sub"). Parent and Merger Sub are affiliates of investment funds managed by Blackstone, Vista, and a wholly owned subsidiary of ADIA. The Merger Agreement provides that, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Smartsheet, which we refer to as the Merger, with Smartsheet surviving the Merger and becoming a wholly owned subsidiary of Parent.

Pursuant to the Merger Agreement, at the effective time of the Merger, each share of Class A common stock issued and outstanding immediately prior to the effective time (except for certain shares specified in the Merger Agreement) will be automatically converted into the right to receive cash in an amount equal to $56.50, without interest.

Completion of the Merger is subject to the satisfaction or waiver of certain customary closing conditions in the Merger Agreement, including: (1) the adoption of the Merger Agreement by the holders of a majority of outstanding shares of Smartsheet's capital stock, (2) the expiration (or earlier termination) of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which took place on November 12, 2024, (3) the receipt of certain non-U.S. regulatory approvals, (4) the absence of any law or order restraining, enjoining or otherwise prohibiting the Merger, (5) the accuracy of each party's representations and warranties, subject to certain materiality standards set forth in the Merger Agreement, (6) each party's compliance in all material respects with their respective obligations under the Merger Agreement, and (7) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) having occurred since the date of the Merger Agreement.

Either we or Parent may terminate the Merger Agreement in certain circumstances, including if (1) the Merger is not completed by April 24, 2025 (the "End Date"), subject to certain limitations, and provided that the End Date will automatically be extended to September 24, 2025 if certain regulatory conditions have not been satisfied as of the close of business on the date that is two business days immediately prior to the then-current End Date, (2) a governmental authority of competent jurisdiction has issued a final non-appealable governmental order prohibiting the Merger, subject to certain exceptions, (3) Smartsheet's shareholders fail to adopt the Merger Agreement, or (4) the other party materially breaches its representations, warranties or covenants in the Merger Agreement, subject in certain cases to the right of the breaching party to cure the breach. Parent may terminate the Merger Agreement if, prior to receipt of the Smartsheet Shareholder Approval (as defined in the Merger Agreement), the Board changes or withdraws its recommendation in favor of the Merger. Parent and Smartsheet may also terminate the Merger Agreement by mutual written consent. If the Merger Agreement is terminated in certain circumstances, Smartsheet would be required to pay Parent a termination fee of $250 million. Parent will be required to pay to us a termination fee of $500 million if the Merger Agreement is terminated under specified circumstances.

The Merger is expected to close in the fourth quarter of our fiscal year ending January 31, 2025, subject to customary closing conditions and approvals. Upon consummation of the Merger, we will cease to be a publicly traded company and our Class A common stock will be delisted from the New York Stock Exchange.

The full text of the Merger Agreement is included as an exhibit to this Quarterly Report on Form 10-Q, and described in more detail in Item 1.01 of our Current Report on Form 8-K filed with the SEC on September 24, 2024.

**Macroeconomic Conditions and Other Factors**

Our results of operations may be significantly influenced by general macroeconomic conditions, including, but not limited to, the impact of interest rate fluctuations, inflation, geopolitical conflicts, instability in the global banking sector, and foreign currency exchange rate fluctuations. Inflationary factors, such as increases in our operating expenses, may adversely affect our results of operations, as our customers primarily purchase products and services from us on a subscription basis over a period of time. We monitor the direct and indirect impacts of these circumstances on our business and financial results. The implications of these macroeconomic events on our business, results of operations and overall financial outlook remain uncertain over the long term and may have an adverse impact in future periods. Refer to Part II, Item 1A, "Risk Factors" for further discussion of the potential impact of these general macroeconomic factors and other risks on our business.

**Key Business Metrics**

We review the following key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

The following table summarizes our key business metrics:

| | October 31, | |
|---|---|---|
| | 2024 | 2023 |
| Annualized recurring revenue ("ARR") (in millions) | $ 1,133 | $ 981 |
| Average ARR per domain-based customer | $ 10,708 | $ 9,225 |
| Dollar-based net retention rate for all customers (trailing 12 months) | 111 % | 118 % |
| Customers with ARR of $100 thousand or more | 2,137 | 1,779 |
| Customers with ARR of $50 thousand or more | 4,293 | 3,719 |
| Customers with ARR of $5 thousand or more | 20,430 | 19,389 |

***Annualized recurring revenue***

We define annualized recurring revenue, or ARR, as the annualized recurring value of all active subscription contracts at the end of a reporting period. We exclude the value of non-recurring revenue streams, such as our professional services revenue, that are recognized at a point in time. We use ARR as one of our operating measures to assess the strength of the Company's subscription services. ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items. Both multi-year contracts and contracts with terms less than one year are annualized by dividing the total committed contract value by the number of months in the subscription term and then multiplying by 12. Annualizing contracts with terms less than one year results in amounts being included in our ARR calculation that are in excess of the total contract value for those contracts at the end of the reporting period. The value of subscription contracts that are sold through third-party resellers, wherein we do not have visibility into the pricing provided, is based on the list price.

As of October 31, 2024, we had customers with ARR ranging from less than $200 to over $10.0 million.

***Average ARR per domain-based customer***

We use average ARR per domain-based customer to measure customer commitment to our platform and sales force productivity. We define average ARR per domain-based customer as total outstanding ARR for domain-based subscriptions as of the end of the reporting period divided by the number of domain-based customers as of the same date. We define domain-based customers as organizations with a unique email domain name.

***Dollar-based net retention rate***

We calculate dollar-based net retention rate as of a period end by starting with the ARR from the cohort of all customers as of the 12 months prior to such period end ("Prior Period ARR"). We then calculate the ARR from these same customers as of the current period end ("Current Period ARR"). Current Period ARR includes any upsells and is net of contraction or attrition over the trailing 12 months, but excludes subscription revenue from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the dollar-based net retention rate. Any ARR obtained through merger and acquisition transactions does not affect the dollar-based net retention rate until one year from the date on which the transaction closed.

The dollar-based net retention rate is used by us to evaluate the long-term value of our customer relationships and is driven by our ability to retain and expand the subscription revenue generated from our existing customers.

**Components of Results of Operations**

***Revenue***

*Subscription revenue*

Subscription revenue primarily consists of fees from customers for access to our cloud-based platform. We recognize subscription revenue ratably over the subscription contract term beginning on the date access to our platform is provided, as no implementation work is required, assuming all other revenue recognition criteria have been met.

*Professional services revenue*

Professional services revenue primarily includes fees for consulting and training services. Our consulting services typically consist of platform configuration and use case optimization, and are primarily invoiced on a time and materials basis, with some smaller engagements being provided for a fixed fee. We recognize revenue for our consulting services as those services are delivered. Our training services are delivered either remotely or at the customer site. Training services are charged for on a fixed-fee basis and we recognize revenue as the training program is delivered. Our consulting and training services are generally considered to be distinct, for accounting purposes, and we recognize revenue as services are performed or upon completion of work.

***Cost of revenue and gross margin***

*Cost of subscription revenue*

Cost of subscription revenue primarily consists of expenses related to hosting our platform and providing support. These expenses consist of employee-related costs and share-based compensation, as well as third-party hosting fees, software-related costs, amortization of capitalized software, amortization of acquisition-related intangibles, and payment processing fees.

*Cost of professional services revenue*

Cost of professional services revenue consists primarily of employee-related costs and share-based compensation for our consulting and training teams, costs of outside services used to supplement our internal teams, allocated overhead, software-related costs, travel-related costs, and billable expenses.

*Gross margin*

Gross margin is calculated as gross profit expressed as a percentage of total revenue. Our gross margin may fluctuate from period to period as we continue to invest in and optimize our technology and infrastructure.

***Operating expenses***

*Research and development*

Research and development expenses consist primarily of employee-related costs and share-based compensation, software-related costs, allocated overhead, and costs of outside services used to supplement our internal staff. We consider continued investment in our development talent and our platform to be important for our growth.

*Sales and marketing*

Sales and marketing expenses consist primarily of employee-related costs and share-based compensation, brand awareness and demand generation costs, costs related to Engage, our customer conference, allocated overhead, costs of outside services used to supplement our internal staff, travel-related costs, software-related costs, and amortization of acquisition-related intangibles. Commissions earned by our sales force that are incremental to each customer contract, along with related fringe benefits and taxes, are capitalized and amortized over an estimated useful life of four years.

*General and administrative*

General and administrative expenses consist primarily of employee-related costs and share-based compensation for accounting, finance, legal, IT, and human resources personnel. In addition, general and administrative expenses include costs of outside services used to supplement our internal staff and other professional services, software-related costs, allocated overhead, certain tax, license, and insurance-related expenses, bank charges, impairment expense, and bad debt expense. The current period includes one-time acquisition-related costs in expense categories such as professional services, legal costs, and accounting, internal control, and tax services.

*Operating margin*

We expect our operating expenses to increase in absolute dollars as our business grows and to decrease over the long-term as a percentage of total revenue due to economies of scale.

***Interest income***

Interest income primarily consists of interest income from our available-for-sale investment holdings.

***Other income (expense), net***

Other income (expense), net consists of foreign currency exchange gains and losses, interest expense, and other non-operating income and expenses.

***Income tax provision***

Income tax provision consists primarily of U.S. federal and state income taxes as well as foreign income taxes. We maintain a valuation allowance on our U.S. federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred assets will be realized.

**Results of Operations**

The following table sets forth our results of operations for the periods presented:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (in thousands) | | | |
| **Revenue** | | | | |
| Subscription | $ 273,703 | $ 232,470 | $ 786,328 | $ 659,993 |
| Professional services | 13,168 | 13,448 | 39,939 | 41,396 |
| Total revenue | 286,871 | 245,918 | 826,267 | 701,389 |
| **Cost of revenue** | | | | |
| Subscription(1) | 41,445 | 34,258 | 115,216 | 101,009 |
| Professional services(1) | 12,291 | 12,780 | 36,693 | 38,948 |
| Total cost of revenue | 53,736 | 47,038 | 151,909 | 139,957 |
| Gross profit | 233,135 | 198,880 | 674,358 | 561,432 |
| **Operating expenses** | | | | |
| Research and development(1) | 63,477 | 58,257 | 189,514 | 172,805 |
| Sales and marketing(1) | 127,854 | 137,920 | 383,315 | 382,685 |
| General and administrative(1) | 45,155 | 38,153 | 124,489 | 109,654 |
| Total operating expenses | 236,486 | 234,330 | 697,318 | 665,144 |
| Loss from operations | (3,351) | (35,450) | (22,960) | (103,712) |
| Interest income | 8,272 | 6,976 | 24,934 | 18,040 |
| Other income (expense), net | 47 | (790) | (593) | (1,381) |
| Income (loss) before income tax provision | 4,968 | (29,264) | 1,381 | (87,053) |
| Income tax provision | 3,644 | 3,164 | 1,057 | 8,602 |
| Net income (loss) | $ 1,324 | $ (32,428) | $ 324 | $ (95,655) |

*(1) Amounts include share-based compensation expense as follows:*

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (in thousands) | | | |
| Cost of subscription revenue | $ 2,983 | $ 3,164 | $ 9,055 | $ 9,980 |
| Cost of professional services revenue | 1,485 | 1,777 | 4,734 | 5,602 |
| Research and development | 17,763 | 17,220 | 54,036 | 52,263 |
| Sales and marketing | 14,453 | 17,462 | 45,472 | 55,505 |
| General and administrative | 9,151 | 10,024 | 29,827 | 30,099 |
| Total share-based compensation expense | $ 45,835 | $ 49,647 | $ 143,124 | $ 153,449 |

The following table sets forth the components of our results of operations, for each of the periods presented, as a percentage of total revenue:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Revenue** | | | | |
| Subscription | 95 % | 95 % | 95 % | 94 % |
| Professional services | 5 | 5 | 5 | 6 |
| Total revenue | 100 | 100 | 100 | 100 |
| **Cost of revenue** | | | | |
| Subscription | 14 | 14 | 14 | 14 |
| Professional services | 4 | 5 | 4 | 6 |
| Total cost of revenue | 19 | 19 | 18 | 20 |
| Gross profit | 81 | 81 | 82 | 80 |
| **Operating expenses** | | | | |
| Research and development | 22 | 24 | 23 | 25 |
| Sales and marketing | 45 | 56 | 46 | 55 |
| General and administrative | 16 | 16 | 15 | 16 |
| Total operating expenses | 82 | 95 | 84 | 95 |
| Loss from operations | (1) | (14) | (3) | (15) |
| Interest income | 3 | 3 | 3 | 3 |
| Other income (expense), net | — | — | — | — |
| Income (loss) before income tax provision | 2 | (12) | — | (12) |
| Income tax provision | 1 | 1 | — | 1 |
| Net income (loss) | — % | (13) % | — % | (14) % |

*Note: Certain amounts may not sum due to rounding.*

***Comparison of the three and nine months ended October 31, 2024 and 2023***

*Revenue*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| **Revenue** | | | | | | | | |
| Subscription | $ 273,703 | $ 232,470 | $ 41,233 | 18 % | $ 786,328 | $ 659,993 | $ 126,335 | 19 % |
| Professional services | 13,168 | 13,448 | (280) | (2) % | 39,939 | 41,396 | (1,457) | (4) % |
| Total revenue | $ 286,871 | $ 245,918 | $ 40,953 | 17 % | $ 826,267 | $ 701,389 | $ 124,878 | 18 % |
| **Percentage of total revenue** | | | | | | | | |
| Subscription revenue | 95 % | 95 % | | | 95 % | 94 % | | |
| Professional services revenue | 5 % | 5 % | | | 5 % | 6 % | | |

Three months ended October 31, 2024 and 2023

Subscription revenue increased $41.2 million, or 18%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. Sales of capabilities-based products and user-based subscription plans contributed $23.4 million and $17.8 million, respectively, to the increase in revenue between periods.

Professional services revenue decreased $0.3 million, or 2%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. The decrease in professional services revenue was primarily driven by a decrease in our non-recurring fixed-fee services revenue.

Nine months ended October 31, 2024 and 2023

Subscription revenue increased $126.3 million, or 19%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. Sales of capabilities-based products and user-based subscription plans contributed $64.2 million and $62.1 million, respectively, to the increase in revenue between periods.

Professional services revenue decreased $1.5 million, or 4%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. The decrease in professional services revenue was primarily driven by a decrease in our non-recurring fixed-fee services revenue.

*Cost of revenue, gross profit, and gross margin*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| **Cost of revenue** | | | | | | | | |
| Subscription | $ 41,445 | $ 34,258 | $ 7,187 | 21 % | $ 115,216 | $ 101,009 | $ 14,207 | 14 % |
| Professional services | 12,291 | 12,780 | (489) | (4) % | 36,693 | 38,948 | (2,255) | (6) % |
| Total cost of revenue | $ 53,736 | $ 47,038 | $ 6,698 | 14 % | $ 151,909 | $ 139,957 | $ 11,952 | 9 % |
| Gross profit | $ 233,135 | $ 198,880 | $ 34,255 | 17 % | $ 674,358 | $ 561,432 | $ 112,926 | 20 % |
| **Gross margin** | | | | | | | | |
| Subscription | 85 % | 85 % | | | 85 % | 85 % | | |
| Professional services | 7 % | 5 % | | | 8 % | 6 % | | |
| Total gross margin | 81 % | 81 % | | | 82 % | 80 % | | |

Three months ended October 31, 2024 and 2023

Cost of subscription revenue increased $7.2 million, or 21%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. This was primarily due to increases of $6.6 million in hosting fees, $0.9 million in amortization of capitalized software, and $0.7 million in employee-related expenses due to increased headcount, partially offset by decreases of $0.4 million in amortization of acquisition-related intangibles, $0.3 million in outside services used to supplement our internal staff, and $0.2 million in shared-based compensation expense. Our gross margin for subscription revenue was 85% for each of the three months ended October 31, 2024 and 2023.

Cost of professional services decreased $0.5 million, or 4%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. The decrease was primarily due to a decrease of $0.2 million in share-based compensation expense. Our gross margin for professional services revenue was 7% and 5% for the three months ended October 31, 2024 and 2023, respectively. The increase in gross margin for professional services was primarily driven by a decrease in share-based compensation expense.

Nine months ended October 31, 2024 and 2023

Cost of subscription revenue increased $14.2 million, or 14%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. This was primarily due to increases of $13.4 million in hosting fees, $2.0 million in amortization of capitalized software, $0.9 million in employee-related expenses due to increased headcount, and $0.4 million in costs of connectors with third party applications. These increases were partially offset by decreases of $0.9 million in share-based compensation expense, $0.8 million in amortization of acquisition-related intangibles, $0.4 million in allocated overhead, and $0.3 million in software-related costs. Our gross margin for subscription revenue was 85% for each of the nine months ended October 31, 2024 and 2023.

Cost of professional services decreased $2.3 million, or 6%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. The decrease was primarily due to decreases of $1.3 million in employee-related expenses due to a decrease in headcount and $0.9 million in share-based compensation expense. Our gross margin for professional services revenue was 8% and 6% for the nine months ended October 31, 2024 and 2023, respectively. The increase in gross margin for professional services was primarily driven by a decrease in share based compensation expense.

*Research and development expenses*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| Research and development | $ 63,477 | $ 58,257 | $ 5,220 | 9 % | $ 189,514 | $ 172,805 | $ 16,709 | 10 % |
| Percentage of total revenue | 22 % | 24 % | | | 23 % | 25 % | | |

Three months ended October 31, 2024 and 2023

Research and development expenses increased $5.2 million, or 9%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. This was primarily driven by increases of $3.5 million in employee-related expenses due to increased cost of labor, $1.4 million in software-related costs, and $0.6 million in shared-based compensation expense. These increases were partially offset by a $0.5 million decrease in allocated overhead costs.

Nine months ended October 31, 2024 and 2023

Research and development expenses increased $16.7 million, or 10%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. This was primarily driven by increases of $11.8 million in employee-related expenses due to increased headcount, $3.4 million in software-related costs, $1.8 million in share-based compensation expense, and $0.3 million in travel-related costs. These increases were partially offset by a $0.6 million decrease in allocated overhead costs.

*Sales and marketing expenses*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| Sales and marketing | $ 127,854 | $ 137,920 | $ (10,066) | (7) % | $ 383,315 | $ 382,685 | $ 630 | — % |
| Percentage of total revenue | 45 % | 56 % | | | 46 % | 55 % | | |

Three months ended October 31, 2024 and 2023

Sales and marketing expenses decreased $10.1 million for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. This was primarily driven by decreases of $11.9 million in brand awareness and demand generation costs, $2.9 million in share-based compensation expense, $1.0 million in allocated overhead costs, $0.8 million in outside services used to supplement our internal staff, and $0.5 million in travel-related costs. These decreases were partially offset by increases of $5.4 million in employee-related expenses due to increased labor costs, $0.8 million in software related costs, and $0.5 million in amortization of capitalized software.

Nine months ended October 31, 2024 and 2023

Sales and marketing expenses increased $0.6 million, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. This was primarily driven by increases of $23.6 million in employee-related expenses due to increased labor costs, $1.3 million in software-related costs, and $0.3 million in amortization of capitalized software. These increases were partially offset by decreases of $12.6 million in brand awareness and demand generation costs, $9.9 million in share-based compensation expense, and $2.1 million in allocated overhead costs.

*General and administrative expenses*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | | | (dollars in thousands) | | | | | |
| General and administrative | $ 45,155 | $ 38,153 | $ 7,002 | 18 % | 124,489 | $ 109,654 | $ 14,835 | 14 % |
| Percentage of total revenue | 16 % | 16 % | | | 15 % | 16 % | | |

Three months ended October 31, 2024 and 2023

General and administrative expenses increased $7.0 million, or 18%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. This was primarily driven by increases of $7.6 million in outside services used to supplement internal staff, $1.4 million in legal fees, and $1.2 million in accounting, internal control, and tax services. These increases were mainly driven by one-time acquisition-related costs related to the Merger, including our negotiation and execution of the Merger Agreement. This change was partially offset by decreases of $1.4 million impairment charge recorded in the third quarter of fiscal year 2024, $0.9 million in share-based compensation expense $0.3 million in employee-related expenses due to a decrease in headcount, and $0.2 million in allocated overhead.

Nine months ended October 31, 2024 and 2023

General and administrative expenses increased $14.8 million, or 14%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. This was primarily driven by increases of $8.3 million in costs of outside services used to supplement our internal staff, $1.5 million in legal fees, and $1.4 million in accounting, internal control, and tax services. These increases were mainly driven by one-time acquisition-related costs related to the Merger, including our negotiation and execution of the Merger Agreement, incurred in the three months ended October 31, 2024. Additionally, there were increases of $2.0 million related to bad debt expense, $1.8 million in impairment charges, $0.9 million in employee-related expenses due to increased labor costs, and $0.9 million in tax, license, and insurance-related costs. This change was partially offset by decreases of $1.0 million in software-related costs, $0.6 million in allocated overhead costs, $0.3 million in share-based compensation expense, and $0.3 million in amortization of capitalized software.

*Interest income*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| Interest income | $ 8,272 | $ 6,976 | $ 1,296 | 19 % | $ 24,934 | 18,040 | $ 6,894 | 38 % |

Three months ended October 31, 2024 and 2023

Interest income increased $1.3 million, or 19%, for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. This was primarily driven by an increase in interest income related to our available-for-sale investments portfolio.

Nine months ended October 31, 2024 and 2023

Interest income increased $6.9 million, or 38%, for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. This was primarily driven by an increase in interest income related to our available-for-sale investments portfolio.

*Other income (expense), net*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| Other income (expense), net | $ 47 | $ (790) | $ 837 | (106) % | $ (593) | $ (1,381) | $ 788 | (57) % |

Three months ended October 31, 2024 and 2023

For the three months ended October 31, 2024 compared to the three months ended October 31, 2023, the change in other income (expense), net was primarily driven by a $0.5 million decrease in realized and unrealized foreign currency exchange losses, and a $0.3 million decrease in losses on dispositions.

Nine months ended October 31, 2024 and 2023

For the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023, the change other income (expense), net was primarily driven by a $0.3 million decrease in realized and unrealized foreign currency exchange losses, and $0.3 million decrease in losses on dispositions.

*Income tax provision*

| | Three Months Ended October 31, | | Change | | Nine Months Ended October 31, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Amount | % | 2024 | 2023 | Amount | % |
| | (dollars in thousands) | | | | | | | |
| Income tax provision | $ 3,644 | $ 3,164 | $ 480 | 15 % | $ 1,057 | $ 8,602 | $ (7,545) | (88) % |
| Effective tax rate | 73.35 % | (10.81)% | | | 76.54 % | (9.88) % | | |

Three months ended October 31, 2024 and 2023

The income tax provision increased by $0.4 million for the three months ended October 31, 2024 compared to the three months ended October 31, 2023. The change was primarily due to an increase in state income taxes offset by a decrease in U.S. BEAT.

Nine months ended October 31, 2024 and 2023

The income tax provision decreased by $7.5 million for the nine months ended October 31, 2024 compared to the nine months ended October 31, 2023. The change was primarily due to a decrease in U.S. BEAT.

The provision for income taxes for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each fiscal quarter, we update our estimated annual effective tax rate, and if the estimated annual effective tax rate changes, we make a cumulative adjustment in that quarter.

**Liquidity and Capital Resources**

As of October 31, 2024, our principal sources of liquidity were cash and cash equivalents totaling $454.3 million and short-term investments totaling $306.6 million, which were held for working capital and general corporate purposes. Our cash equivalents and short-term investments are comprised of money market funds, U.S. Treasury securities, corporate bonds, agency securities, and commercial paper.

We finance our operations primarily through payments received from customers for subscriptions and professional services, net proceeds received through sales of equity securities, contributions from our ESPP, and interest income from our short-term investments portfolio.

A significant majority of our customers pay in advance for annual subscriptions. Therefore, a substantial source of our cash is from our deferred revenue, which is included on our condensed consolidated balance sheets as a liability. Deferred revenue consists of customer billings and payments in advance of revenue being recognized from the Company's contracts. As of October 31, 2024, we had deferred revenue of $560.4 million, of which $556.3 million was recorded as a current liability and was expected to be recognized as revenue in the subsequent 12 months, provided all recognition criteria are met.

***Material cash requirements from known contractual obligations***

*Leases*

We have non-cancelable operating and finance leases that expire at various dates through 2029. As of October 31, 2024, we had fixed minimum lease payments of $43.8 million, of which $16.0 million is due in the next 12 months. Refer to Note 11, *Leases*, to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q for additional information on our operating and finance leases.

*Other contractual obligations*

In the ordinary course of business we enter into contracts with vendors for goods and services, some of which are non-cancelable. As of October 31, 2024, we had material contractual obligations of $54.1 million, of which $53.0 million is due in the next 12 months. These contractual obligations primarily consist of purchase commitments with our cloud-based hosting and data service providers. See Note 14, *Commitments and Contingencies*, to the consolidated financial statements contained within our Annual Report on Form 10-K for additional information on our commitments with our cloud-based hosting and data service providers.

We believe our existing cash, cash equivalents, and cash provided by sales of our products and services will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our bookings and renewals, the timing of our collections, the introduction of new and enhanced product offerings, and the continued market adoption of our product. Our capital requirements will also depend on the timing and extent of spending to support our development efforts, sales and marketing activities, employee-related expenditures and acquisition-related costs. We may, in the future, enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. In connection with the pending merger, we may incur significant additional transaction related costs. We may be required to seek additional equity or debt financing in order to meet these future capital requirements. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, our ability to compete successfully could be reduced, and this could harm our results of operations.

In addition to our contractual obligations, the Company's Board of Directors authorized the repurchase of up to $150.0 million of the Company's outstanding Class A common stock. The program, which commenced in June 2024, has no minimum purchase commitment and is authorized to extend over a period of up to 12 months. The timing, manner, price, and amount of the repurchases are subject to the discretion of the Company's management. The repurchase program does not obligate the Company to acquire any particular amount of Class A common stock and it may be suspended or discontinued at any time. During the three months ended October 31, 2024, we repurchased 0.2 million shares of our Class A common stock at an average price of $46.05 per share, for aggregate repurchases of $9.7 million. During the nine months ended October 31, 2024, we repurchased 1.1 million shares of our Class A common stock at an average price of $44.34 per share, for aggregate repurchases of $50.0 million.

The following table summarizes our cash flows for the periods indicated:

| | Nine Months Ended October 31, | |
|---|---|---|
| | 2024 | 2023 |
| | (in thousands) | |
| Net cash provided by operating activities | $ 172,750 | $ 98,176 |
| Net cash provided by (used in) investing activities | 38,611 | (103,406) |
| Net cash provided by (used in) financing activities | (39,677) | 15,350 |
| Effects of changes in foreign currency exchange rates on cash, cash equivalents, and restricted cash | 379 | (248) |
| Change in cash, cash equivalents, and restricted cash | $ 172,063 | $ 9,872 |

*Operating activities*

Our largest sources of operating cash are cash collections from our customers for sales of subscriptions and professional services. Our primary uses of cash from operating activities are employee-related expenditures, costs related to brand awareness and demand generation, and costs related to hosting our platform.

Net cash provided by operating activities during the nine months ended October 31, 2024 was $172.8 million compared to $98.2 million for the nine months ended October 31, 2023. The increase of $74.6 million was primarily driven by an increase in cash received from customers, partially offset by an increase in cash paid to vendors and employee-related expenses.

*Investing activities*

Net cash provided by investing activities during the nine months ended October 31, 2024 was $38.6 million compared to net cash used in investing activities of $103.4 million for the nine months ended October 31, 2023. The change of $142.0 million was primarily driven by the net change in short-term investment activity.

*Financing activities*

Net cash used in financing activities during the nine months ended October 31, 2024 was $39.7 million compared to net cash provided by financing activities of $15.4 million for the nine months ended October 31, 2023. The change of $55.0 million was primarily driven by share repurchases of our Class A common stock.

**Indemnification Agreements**

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. There are no indemnification claims that we are aware of at this time that could have a material adverse effect on our condensed consolidated financial statements.

**Critical Accounting Policies and Estimates**

We prepare our condensed consolidated financial statements in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and operating expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates.

The Company’s significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements contained within our Annual Report on Form 10-K for the year ended January 31, 2024. There have been no significant changes to these policies during the nine months ended October 31, 2024 except as described in Note 2, *Summary of Significant Accounting Policies*, in this Quarterly Report on Form 10-Q.

***Recent accounting pronouncements***

For further information on recent accounting pronouncements, refer to Note 2, *Summary of Significant Accounting Policies*, in the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

### Interest Rate Risk

We had cash and cash equivalents and short-term investments totaling $760.9 million as of October 31, 2024, of which $478.2 million was invested in money market funds, U.S. Treasury securities, agency securities, corporate bonds, and commercial paper. Our cash and cash equivalents and short-term investments are held for working capital and general corporate purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our short-term investments are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Due in part to these factors, our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. As our short-term investments are classified as available-for-sale, no gains are recognized due to changes in interest rates. As losses due to changes in interest rates are generally not considered to be credit related, no losses in such investments are recognized due to changes in interest rates unless we intend to sell, it is more likely than not that we will be required to sell, we sell prior to maturity, or we otherwise determine that all or a portion of the decline in fair value is due to credit related factors.

As of October 31, 2024, a hypothetical increase of 100-basis points in interest rates would not have a material impact on the value of our cash equivalents or short-term investments in our condensed consolidated financial statements. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur.

### Foreign Currency Exchange Risk

Due to our international operations, although our sales contracts are primarily denominated in U.S. dollars, we have foreign currency risks related to revenue denominated in other currencies, such as the Australian dollar, British pound sterling, Canadian dollar, and European Union euro, as well as expenses denominated in the Australian dollar, British pound sterling, Costa Rican colón, and European Union euro. We are also exposed to certain foreign exchange rate risks related to our foreign subsidiaries. Changes in the relative value of the U.S. dollar to other currencies may negatively affect revenue and other operating results as expressed in U.S. dollars. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on our operating results.

We have experienced and will continue to experience fluctuations in net income (loss) as a result of transaction gains or losses related to remeasuring certain asset and liability balances that are denominated in foreign currencies. These exposures may change over time as business practices evolve and economic conditions change. We have not engaged in the hedging of foreign currency transactions to date as our exposure to foreign currency exchange rates has historically been partially hedged by both our U.S. dollar and foreign currency denominated inflows covering our U.S. dollar and foreign currency denominated outflows, respectively. We may enter into derivative or hedging transactions in the future if our exposure to foreign currency should become more significant.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, in design and operation, were effective as of October 31, 2024.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitation on the Effectiveness of Internal Control**

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Part II. Other Information

**Item 1. Legal Proceedings**

From time to time in the normal course of business, we may be subject to various legal matters such as threatened or pending claims or proceedings. For further information on our legal proceedings, see Note 12, *Commitments and Contingencies*, in the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

**Item 1A. Risk Factors**

*Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” before deciding whether to invest in our Class A common stock. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, operating results, and growth prospects. These factors could also cause our actual business and financial results to differ materially from those contained in forward-looking statements made by management from time-to-time. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, operating results, and growth prospects.*

**Risk Factor Summary**

The following summarizes certain of the most material risks that make an investment in our Class A common stock uncertain, risk laden, or speculative. If any of the following risks occur, our business, financial condition, operating results, and growth prospects may be impaired, the market price of our Class A common stock could decline, and you may lose all or part of your investment.

***Risks related to the proposed Merger***

- The pendency of the Merger could have an adverse effect on our business and results of operations, and the failure to complete the Merger in a timely manner or at all could adversely affect our business, financial condition, results of operations, and stock price.

- While the Merger is pending, we are subject to business uncertainties, contractual restrictions, and substantial transaction-related costs that could harm our business relationships, financial condition, results of operations, and business.
- Litigation has arisen and further litigation may arise in connection with the Merger, which could be costly, prevent consummation of the Merger, divert management's attention, and otherwise harm our business.
- If the Merger is consummated, our shareholders will not be able to participate in any further upside to our business.

***Infrastructure, data security, and privacy risks***

- Security threats and attacks are common, increasing globally, and may result in significant liabilities.
- Our or our vendors' failure to sufficiently secure our products and services may result in unauthorized access to and use of customer data, a negative impact on our customer attraction and retention, and significant liabilities.
- We depend on public cloud service providers and computing infrastructure operated by third parties, and any disruptions in these operations could harm our business and operating results.
- If our platform fails to perform or if we fail to architect our platform to deliver on customer demand for scale, performance, and sophisticated use cases, then we could be subject to liability and our market share could decline.
- If we fail to manage our services infrastructure, or our platform experiences outages, interruptions, or delays in updates to meet customers' needs, we may be subject to liabilities and our operating results may be harmed.

***Business, industry, and product risks***

- The market in which we participate is highly competitive, and if we do not compete effectively, our operating results could be harmed.
- Our business depends on a strong brand, and if we are unable to develop, maintain, and enhance our brand, our business and results may be harmed.
- Our forecasts of market growth may prove to be inaccurate, and our business may not grow at a pace similar to market growth.
- Failure to establish and maintain partnerships with complementary technology offerings and integrations could limit our ability to grow our business.

***Commercial and financial risks***

- It is difficult to predict future operating results.
- We have a history of cumulative losses, and may incur losses in the future.
- If we are unable to attract new customers and maintain and expand sales to existing customers, our growth could be slower than we expect and our business may be harmed.
- We derive substantially all of our revenue from a single offering.

***Operational and other risks***

- We have recently experienced rapid growth and expect our growth to continue; failure to manage our growth effectively may harm our business.

- Our sales cycle may become longer, more complex, and more expensive as we continue to target enterprise and government customers, which could harm our business or results.
- Our growth depends on the expansion and effectiveness of our sales force domestically and internationally, and the failure to expand or maintain the effectiveness of our sales force may harm our business and results.
- We may not receive significant revenue from our current development efforts for several years, if at all.
- Contractual disputes or commitments, including indemnity obligations, may be costly, time consuming, and could harm our reputation.

**Risks Related to the Pending Merger**

***The pendency of the Merger could have an adverse effect on our business and results of operations, and the failure to complete the Merger in a timely manner or at all could adversely affect our business, financial condition, results of operations, and stock price.***

On September 24, 2024, we entered into the Merger Agreement with Parent and Merger Sub. Completion of the Merger is subject to the satisfaction or waiver of certain customary closing conditions in the Merger Agreement, including: (i) the adoption of the Merger Agreement by the holders of a majority of outstanding shares of Smartsheet's capital stock; (ii) the expiration (or earlier termination) of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (iii) the receipt of certain non-U.S. regulatory approvals; (iv) the absence of any law or order restraining, enjoining or otherwise prohibiting the Merger; (v) the accuracy of each party's representations and warranties, subject to certain materiality standards set forth in the Merger Agreement; (vi) each party's compliance in all material respects with their respective obligations under the Merger Agreement; and (vii) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) having occurred since the date of the Merger Agreement, which could include developments beyond our control, including but not limited to, changes in domestic or global economic conditions that may affect the timing or success of the Merger.

If the proposed Merger is delayed or not completed, the price of our common stock may decline, including to the extent that the current market price of our common stock reflects an assumption that the Merger and the other transactions contemplated by the Merger Agreement will be consummated without further delays, which could have a material adverse effect on our business, results of operations, and financial condition. Additionally, if the Merger Agreement is terminated and we determine to seek another business combination, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

***While the Merger is pending, we are subject to business uncertainties, contractual restrictions, and substantial transaction-related costs that could harm our business relationships, financial condition, results of operations, and business.***

Uncertainty about the pendency of the Merger and the effect of the Merger on employees, customers, and other third parties who deal with us may have a material adverse effect on our business, results of operations, and financial condition. Such uncertainties may impair our ability to attract, retain, and motivate key personnel pending the consummation of the Merger, as such personnel may experience uncertainty about their future roles following the consummation of the Merger, creating distractions and thus resulting in a decline in their productivity. These uncertainties could also lead current and prospective customers and partners to purchase products and services from other providers or delay purchasing from us, which could have a material adverse effect on our business, results of operations, financial condition, and market price of our common stock. The pendency of the Merger may also generate negative publicity and a negative impression of us in the financial markets, and may lead to litigation against us and our directors and officers.

In addition, the Merger Agreement subjects us to customary interim operating covenants that restrict us from taking certain specified actions until the Merger is completed. These restrictions could prevent us from pursuing certain business opportunities that may arise prior to the consummation of the Merger and may affect our ability to execute our business strategies and attain financial and other goals and may impact our financial condition, results of operations, and cash flows.

Further, we have incurred, and will continue to incur, significant costs, fees, expenses, and charges related to the Merger, including but not limited to, the cost of professional services and any legal proceeding that may be instituted against us, which may materially and adversely affect our financial condition. We have also expended, and continue to expend, significant management time and resources in an effort to complete the Merger, and the resulting disruption to our business may negatively impact our ongoing operations.

Additionally, if the Merger is not completed, in certain circumstances, we could be required to pay a termination fee of up to $250 million. If the Merger Agreement is terminated, the termination fee we may be required to pay, if any, under the Merger Agreement may require us to use available cash that would have otherwise been available for general corporate purposes or other uses. For these and other reasons, termination of the Merger Agreement could materially and adversely affect our business, results of operations, or financial condition, which in turn would materially and adversely affect the price of our common stock.

If any of these effects were to occur, it could adversely impact our business, cash flow, results of operations. or financial condition, as well as the market price of our common stock and our perceived value, regardless of whether the Merger is completed.

***Litigation has arisen in connection with the Merger, which could be costly, prevent consummation of the Merger, divert management's attention, and otherwise harm our business.***

Regardless of the outcome of any existing and future litigation related to the Merger, such litigation may be time-consuming and expensive and may distract our management from running the day-to-day operations of our business. The litigation costs and diversion of management's attention and resources to address the claims and counterclaims in any litigation related to the Merger may adversely affect our business, results of operations, prospects, and financial condition. If the Merger is not consummated for any reason, litigation could be filed in connection with the failure to consummate the Merger. Any litigation related to the Merger may result in negative publicity or an unfavorable impression of us, which could adversely affect the price of our common stock, impair our ability to recruit or retain employees, damage our relationships with our customers, suppliers, and other business partners, or otherwise harm our operations and financial performance.

***If the Merger is consummated, our shareholders will not be able to participate in any further upside to our business.***

If the Merger is consummated, each share of our Class A common stock will automatically be converted into the right to receive $56.50 in cash without interest and less any applicable withholding of taxes. Our shareholders will not receive any equity interests of Parent. As a result, if our business following the Merger performs well, our current shareholders will not receive any additional consideration and will therefore not receive any benefit from the future performance of our business.

**Risks Related to Our Platform and Infrastructure**

***Security threats and attacks are common, increasing globally, and they may result in significant liabilities.***

Our platform and our internal corporate information technology systems have in the past been, and will in the future be, subject to cyber-attacks, credential stuffing, account takeover attacks, denial or degradation of service attacks, phishing attacks, ransomware attacks, malicious software programs, supply chain attacks, and other threats, any of which may result in adverse effects on the confidentiality, integrity, or availability of our information systems (collectively, "Cybersecurity Threats"). Further, we engage service providers to store and otherwise process some of our and our customers' data, including sensitive and personal information, and these service providers are also targets of Cybersecurity Threats.

Cybersecurity Threats have been increasing in frequency and sophistication globally and may be accompanied by demands for payment in exchange for resolution, restoration of functionality, or return of data. Sources of Cybersecurity Threats range from individuals to sophisticated organizations, including state-sponsored actors and organizations. These attackers use a wide variety of methods to exploit vulnerabilities and gain access to corporate assets, including networks, information, or credentials. The types and methods of Cybersecurity Threats are constantly evolving and becoming more complex, and we may not be able to detect, combat, or successfully defend against Cybersecurity Threats. Attackers initiating Cybersecurity Threats may gain access to our corporate assets. Any vulnerabilities in our infrastructure or the success of any Cybersecurity Threats against us may not be discovered in a timely fashion or at all, and the impact of vulnerabilities may be exacerbated the longer they persist or remain undetected. While we utilize security measures and architecture designed to protect the integrity of our information systems, we remain subject to ongoing and evolving Cybersecurity Threats, and we anticipate that we will need to expend significant resources in an effort to protect against Cybersecurity Threats. We may not be able to deploy, allocate, or retain sufficient resources to keep pace with persistent and evolving Cybersecurity Threat landscape.

Moreover, many of our employees work remotely, and many of the vendors and other third parties we engage with utilize remote workers in various jurisdictions throughout the world, which may involve relying on less secure systems and may increase the risk of and susceptibility to Cybersecurity Threats. We cannot guarantee that remote work environments and electronic connections to our work environment and technology systems have the same security measures as those deployed in our physical offices.

Further, our ability to monitor the data security of our vendors is limited, and Cybersecurity Threats initiated by third parties may successfully circumvent our vendors' security measures, resulting in the unauthorized access to, or misuse, disclosure, loss, or destruction of our and our customers' data. Additionally, certain features of our products and services have been, and may in the future be, used by third-party attackers to pursue Cybersecurity Threats against others in violation of our terms of service, including by leveraging the email functionality within our platform for phishing campaigns. Any actual or perceived failure by us or our vendors to prevent or defend against Cybersecurity Threats, actual or perceived vulnerabilities in our products or services, misuse of our products or services in furtherance of Cybersecurity Threats against others, or unauthorized access to corporate assets may lead to claims against us and may result in significant data loss, significant costs and liabilities, and could reduce our revenue, harm our reputation, and compromise our competitive position.

***Our failure to sufficiently secure our products and services may result in unauthorized access to customer data, a negative impact on our customer attraction and retention, and significant liabilities.***

Our business involves the storage, transmission, and processing of a large quantity of customer data, including confidential and sensitive information. Our failure to sufficiently secure our products and services may result in unauthorized access to customer data, a negative impact on our customer attraction and retention, and significant liabilities. Even if our security measures are appropriately engineered and implemented to secure our products and services against external threats, we may be subject to inadvertent disclosures as a result of employee actions or system misconfigurations. Unauthorized use of or access to customer data could result in the loss, compromise, corruption, or destruction of our or our customers' sensitive and proprietary information and could lead to litigation, regulatory investigations and claims, indemnity obligations, reputational harm, loss of authorization under the Federal Risk and Authorization Management Program ("FedRAMP") or other authorizations, and other liabilities.

Our agreements with third parties, including customers, contain contractual commitments related to our information security and data privacy practices. If we experience an incident that triggers a breach of these contractual commitments, we could be exposed to significant liability or cancellation of service under these agreements. The damages payable to the counterparty, as well as the impact to our products and services, could be substantial and result in significant costs and loss of business. There can be no assurance that any limitation of liability provisions in our contracts will be adequate in protecting us from these liabilities or damages with respect to any claim.

Many U.S. and foreign laws and regulations, including those promulgated by the SEC, require companies to provide notice of cybersecurity incidents based on specific criteria. Certain of these notice or disclosure obligations are contingent upon the findings of complex analyses, including in some cases a determination of materiality. The nature of cybersecurity incidents makes it difficult to quickly and comprehensively assess an incident's overall impact to our business, and we may make errors in our evaluations. If we are unable to appropriately assess a cybersecurity incident in the context of required analyses then we could face compliance issues under these laws and regulations, and we could be subject to lawsuits, regulatory fines or investigations, or other liabilities, any or all of which could adversely affect our business and operating results. Furthermore, cybersecurity incidents experienced by us, or by our customers or vendors, that lead to public disclosures may also result in widespread negative publicity and increased government or regulatory scrutiny. Any security compromise in our industry, whether actual or perceived, could harm our reputation; erode customer confidence in our security measures; negatively affect our ability to attract new customers; cause existing customers to not renew their subscriptions; or subject us to third-party lawsuits, regulatory fines or investigations, or other liability, any or all of which could adversely affect our business and operating results. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers.

Additionally, we could be required to expend significant capital and other resources to investigate and address any Cybersecurity Threats or incidents or to prevent further or additional incidents. To maintain business relationships, we may find it necessary or desirable to incur costs to provide remediation and incentives to customers or other business partners following an actual or suspected security incident. We also cannot be sure that our existing cybersecurity insurance will continue to be available on acceptable terms, in sufficient amounts to cover any claims we submit, or at all. Further, we cannot be sure that insurers will not deny coverage as to any claim, and some security incidents may be outside the scope of our coverage, including in instances where they are considered force majeure events. The premiums for cybersecurity insurance can vary and increase substantially from year-to-year, and any security incidents that we may experience may result in an increase in our premium costs for cybersecurity insurance. One or more large, successful claims against us in excess of our available insurance coverage, or changes in our insurance policies, including premium increases or large deductible or co-insurance requirements, could have an adverse effect on our business, operating results, and financial condition.

***We depend on public cloud service providers and computing infrastructure operated by third parties, and any service outages, delays, or disruptions in these operations could harm our business and operating results.***

We host our platform and serve our customers through public cloud service providers. As a result, we are vulnerable to service interruptions, delays, and outages attributable to their platforms. Our public cloud service providers ("Cloud Providers") may experience events such as natural disasters, fires, power loss, telecommunications failures, or similar events. The systems, infrastructure, and services of our Cloud Providers may also be subject to human or software errors, viruses, Cybersecurity Threats, fraud, spikes in customer usage, break-ins, sabotage, acts of vandalism, acts of terrorism, and other misconduct. Our Cloud Providers may also experience other unanticipated problems, including but not limited to financial difficulties and bankruptcy. The occurrence of any of the foregoing events could result in lengthy interruptions or delays in our products and services and may impact us via product or service outages and noncompliance with our contractual obligations or business requirements.

Further, we have experienced in the past, and may experience in the future, periodic interruptions, delays, and outages in service and availability with our Cloud Providers due to a variety of factors, including Internet connectivity failures, infrastructure changes, human or software errors, website hosting disruptions, and capacity constraints. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time.

Our Cloud Providers have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew agreements with our Cloud Providers on commercially reasonable terms, if our agreements with our Cloud Providers are prematurely terminated for any reason, or if our Cloud Providers are acquired or cease business, then we may be required to transfer our infrastructure to new public cloud facilities, and we may incur significant costs, diversion of resources and management attention, and possible service interruptions in connection with doing so.

Additionally, there are limited options for public cloud service providers capable of effectively supporting our infrastructure. Consolidation through a single, or select few, service provider(s) may create a dependency on the selected provider(s). Consolidation may also negatively impact customer acquisition or expansion because customers may object to certain providers for a variety of reasons, including that these provider(s) do not meet their hosting requirements or that the providers operate in a competitive space. The foregoing objections could result in lost or decreased sales or decreased expansion of existing customer relationships, which could harm our business and operating results.

Any issues with our Cloud Providers may result in errors, defects, disruptions, or other performance problems with our platform, which could harm our reputation and may damage our and our customers' businesses. Interruptions in our platform's operation might reduce our revenue, cause us to issue credits or refunds to customers, subject us to potential liability, cause customers to terminate their subscriptions, harm our renewal rates, and affect our reputation. Any of these events could harm our business and operating results.

***If our platform fails to perform properly, or if we are unable to architect our platform to deliver on customer demand for scale, performance, and sophisticated use cases, then our reputation could be harmed, we could be subject to liability, and our market share could decline.***

Our platform is inherently complex and may contain material defects or errors. Additionally, we regularly update our platform, and such updates may contain undetected defects when first introduced or released. Any defects in functionality or interruptions in the availability of our platform could result in:

- loss of, or delayed, market acceptance and sales;
- breach of contract or warranty claims;
- issuance of credits or other compensation for downtime;
- termination of subscription agreements, loss of customers, and issuance of refunds;
- diversion of development, customer service, and other company resources; and
- harm to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could harm our operating results.

Because of the large amount of data that we handle, hardware failures, errors in our systems, user errors, or Internet outages could result in data loss or corruption that our customers may regard as significant, and our current data back-up procedures may not be sufficient to prevent the loss of data. Furthermore, the availability and performance of our platform could be diminished or otherwise impacted by a number of factors, which may damage the perception of its reliability and reduce our revenue. These factors include, but are not limited to customers' inability to access the Internet; customers' use of firewalls or security systems that may prevent or limit certain of our platform's functionalities, including email capabilities; the failure of our network or software systems, including backup systems; simultaneous development efforts causing reallocation of resources; computing vulnerabilities; security incidents; capacity issues or service failures experienced by our service providers; or variability in the amount of user traffic on our platform. We monitor vulnerabilities that may impact our business and the availability of our platform. Any impact resulting from vulnerabilities, and the costs incurred in addressing or correcting these vulnerabilities, may harm our operating results, harm our reputation, or cause us to lose customers.

We may be required to issue credits or refunds, or otherwise be liable to our customers for damages they may incur resulting from certain of these events. Our insurance coverage may be inadequate to sufficiently cover these potential liabilities and may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us, and defending a lawsuit, regardless of its merit, could be costly and divert management's attention.

Furthermore, we will need to ensure that our platform is designed so that it can scale and perform to meet the evolving needs of our customers, particularly as we continue to focus on larger enterprise customers with novel or complex use cases. We regularly monitor and update our platform to fix errors, add functionality, and improve scaling; however, our customers have occasionally experienced outages and latency issues, sometimes during peak usage periods. If our platform is unable to scale and perform at the levels needed by our customers, or if we are unable to correct any platform functionality defects and capacity limitations, then potential customers may not adopt our platform and product offerings and existing customers may not renew their agreements with us.

***If we fail to manage our services infrastructure at the levels expected by our customers, including due to factors such as service outages, interruptions, or delays in updates to our platform to meet customers' needs, then we may be subject to liabilities and our operating results may be harmed.***

We have experienced significant growth in the number of users and data that our platform supports. It is critical that we maintain sufficient excess service capacity to ensure that our platform is accessible and functioning with an acceptable latency, and that we meet the current and future needs of customers and users. To do this, we must manage our service infrastructure to support software updates and the evolution of our platform features and capabilities. The provision and implementation of any new service infrastructure requires significant expenditures and management. If we do not accurately predict or manage our service infrastructure requirements, if our existing providers are unable to keep up with our needs for capacity or if they are unwilling or unable to allocate sufficient capacity to us, or if we are unable to contract with additional providers on commercially reasonable terms, our customers may experience service interruptions, delays, or outages that may subject us to financial penalties, cause us to issue credits or other compensation to customers, or result in other liabilities and customer losses. If our platform fails to scale, customers may experience delays as we seek to obtain additional capacity or make architectural changes, which could damage our reputation and our business. We may also be required to move or transfer our and our customers’ data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery and performance of our platform and may harm our operating results.

***Failure to establish and maintain relationships with partners that can provide complementary technology offerings and software integrations could limit our ability to grow our business.***

Our growth strategy includes expanding the use of our platform through complementary technology offerings and software integrations, such as third-party application programming interfaces (“APIs”). While we have established relationships with providers of complementary technologies and software integrations, we cannot assure you that we will be successful in maintaining relationships with these providers or establishing relationships with new providers. For example, we currently collaborate with Google and Microsoft; however, we may be unable to maintain these collaborative relationships if those entities develop or acquire products that directly or indirectly compete with our platform. Third-party providers of complementary technology offerings and software integrations may take any of the following actions: decline to enter into, or later terminate, relationships or agreements with us; change their features or platforms; restrict our access to their applications and platforms; or alter the terms governing use of and access to their applications and APIs in an adverse manner. These actions could functionally limit or terminate our ability to use these third-party technology offerings and software integrations with our platform, which could negatively impact our offerings and harm our business.

Further, if we fail to integrate our platform with new third-party applications and platforms that our customers use, or to adapt to the data transfer requirements of these third-party applications and platforms, we may not be able to offer the functionality that our customers need, which would negatively impact our products and services and, as a result, could negatively affect our business, operating results, and financial condition. In addition, we may benefit from these partners’ brand recognition, reputations, referrals, and customer bases. Any losses or shifts in the referrals from, or the market positions of, these partners could lead to a loss of relationships or customers or require us to find and transition to alternative channels for marketing or enhancing our platform.

***Our platform and internal business operations use third-party software and services that may be difficult to replace or may cause errors or failures that could lead to a loss of customers or harm to our reputation and our operating results.***

We license third-party software and depend on services from various third parties to operate our platform. In the future, this software or these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any such software or services could harm our business, and it could result in decreased functionality of our platform until we either develop or acquire equivalent technology. In addition, any errors or defects in or failures of the third-party software or services could result in errors or defects in, or failure of, our platform, which could harm our business and be costly to correct. Such platform errors, defects, or failures could also harm our reputation and result in liability to third parties, including customers. Many of these providers attempt to limit their liability for errors, defects, and failures, which could limit our ability to recover any losses from them and increase our potential liabilities and operating costs.

Further, we use technologies and services from third parties to operate critical internal functions of our business, including cloud infrastructure services, customer relationship management services, business management services, and customer support and consulting staffing services. Our internal operations would be disrupted if any of these third-party software or service offerings were unavailable due to extended outages or interruptions or if they are no longer available on commercially reasonable terms or at all. Additionally, any misuse, misconfiguration, or errors in the operation of these software or service offerings may result in a disruption of our internal business operations and create issues with the accuracy of our critical business information. These disruptions may adversely affect our ability to operate our websites, process and fulfill transactions, respond to customer inquiries, maintain corporate records, ensure the accuracy of business information, and generally maintain cost-efficient operations. In the event of disruption, we may be required to seek replacement technologies or services from other parties, or to develop these components ourselves, either of which could result in increased costs, diversion of management’s attention, delays in the release of new product developments, and reduced efficiencies in the operations of our impacted departments until such time as suitable technology can be identified and integrated. These disruptions, if they occur, could result in customer dissatisfaction and harm our operating results and financial condition.

***The use of artificial intelligence could adversely affect our business and operating results.***

Our platform utilizes artificial intelligence (“AI”), including third-party generative AI models. Our business operations also utilize third-party platforms that leverage AI. The use of AI inherently carries a broad range of risks typical to emerging technologies, and requires an investment of resources in the development, integration, and procurement of the technology. These investments may be costly and could impact our operating results as we continue to incorporate AI into our products and services and leverage AI in our operations.

The integration of these AI models within our products and services means that the performance of our products and services is, in part, reliant on third-party developers of the underlying AI models. Moreover, the pricing arrangements with third-party developers associated with integrating these AI models can result in large or unpredictable costs due to excess or non-standard customer usage, which we may not be able to pass through to our customers and which could adversely impact our business.

The AI tools we offer or use could also generate content that infringes upon or misappropriates third-party intellectual property rights. This risk is intensified by the current trend of entities seeking patents and other intellectual property protections in AI to gain a competitive edge. While we have made efforts to mitigate risk under our terms of service, our deployment and use of AI tools may still expose us to increased litigation risk associated with intellectual property infringement claims. Further, the probabilistic nature of AI technologies can result in unwanted, inaccurate, or offensive outputs. In the event the AI tools we provide to customers do not perform reliably or in accordance with stated expectations, we may need to disable user access to such AI tools; similarly, if the AI tools that we use for internal business purposes do not perform in accordance with expectations, we may be forced to discontinue or restrict the use of such tools. Any mitigation efforts related to the foregoing may negatively affect our business and operations.

Additionally, government regulation related to AI may also increase the risks and costs in developing and leveraging AI tools in our products and services and to support our operations. For example, the EU recently approved the Artificial Intelligence Act, which requires that users of AI technology be made aware that they are interacting with AI or that they are facing an AI generated output. Continued legal and regulatory updates related to AI may occur quickly and could restrict or delay our ability to utilize AI, require significant cost and resources to support compliance, and harm our operating results.

***Our use of open source software could negatively affect our ability to offer and sell our products and subject us to possible litigation.***

We use open source software in our platform and expect to continue to use open source software in the future. There are uncertainties regarding the proper interpretation of and compliance with open source licenses, and there is a risk that open source licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to use open source software and to provide or distribute our platform.

Additionally, we may face claims from third parties alleging infringement of certain intellectual property rights resulting from our use of open source software or seeking to enforce the terms of an open source license, including by demanding public release of derivative works or our proprietary source code. These claims could result in litigation and could require us to make our proprietary source code freely available, devote additional research and development resources to make changes to our platform, or incur additional costs and expenses. Any of the foregoing outcomes could adversely affect our business, reputation, financial condition, and operating results.

In addition, if the license terms change for the open source software we utilize, we may be forced to re-engineer our platform or incur additional costs to comply with the changed license terms or to replace the affected open source software. Further, use of certain open source software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide updates, warranties, or assurances of performance or title. Certain versions and libraries of open source software allow for any individuals to make contributions and updates, and this may introduce or amplify certain security vulnerabilities depending on how, and with which systems, the software is implemented. Although we have established policies to regulate the use and incorporation of open source software into our platform, we cannot be certain that we have not incorporated open source software in our platform in a manner that is inconsistent with these policies.

**Risks Related to our Business, Industry, and Product**

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

The market for collaborative work management software is fragmented, increasingly competitive, and subject to rapidly changing technology and evolving standards. Our competitors range in size from diversified global companies with significant research and development and marketing resources to smaller startups building on new technology platforms whose narrower offerings may allow them to be more efficient in deploying technical, marketing, and financial resources.

Certain of our features compete with current or potential products and services offered by Airtable, Asana, Atlassian, ClickUp, Monday.com, Wrike, and others. We also face competition from point solution software providers who offer industry or use case specific solutions, such as construction management or professional services automation. Additionally, we face competition from Google and Microsoft, who offer a range of productivity solutions including spreadsheets and email that have traditionally been used for work management. While we currently collaborate with Google, Microsoft, and Adobe, they may develop and introduce, or acquire, products that directly or indirectly compete with our platform. For example, Adobe owns Workfront, a company whose product and service offerings compete with ours. As we continue to sell products and services to potential customers with existing internal solutions we must convince their stakeholders that our platform is superior to the solutions that their organization has previously adopted and deployed. With the introduction of new technologies and market entrants, and the growth of existing market participants, we expect competition to continue to intensify in the future.

Many of our current and potential competitors, particularly large software companies, have longer operating histories, greater name recognition, more established customer bases, better developed international sales motions, and significantly greater financial, operating, technical, marketing, and other resources than we do. As a result, our competitors may be able to leverage relationships with distribution partners and customers to gain business in a manner that discourages users from purchasing our platform, including by selling at zero or negative margins, by using product bundling or integrated functionality, or by providing products or services for free. Further, our competitors may respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. We could lose customers if our competitors consolidate, introduce new collaborative work management products, add new features to their current product offerings, acquire competitive products, reduce prices, form strategic alliances with other companies, or are acquired by third parties with greater resources. If our competitors' products or services are more widely adopted than ours, if they are successful in bringing their products or services to market sooner than ours, if their pricing is more competitive, or if their products or services are more technologically capable than ours, then our business, operating results, and financial condition may be harmed.

***If we do not keep pace with technological changes, our platform may become less competitive and our business may suffer.***

Our industry is marked by rapid technological developments and innovations (such as the use of AI) and evolving industry standards. If we are unable to provide enhancements and new features and integrations for our existing platform, develop new products that achieve market acceptance, or innovate quickly enough to keep pace with these rapid technological developments, our business could be harmed.

In addition, because our platform is designed to operate on a variety of systems, we will need to continuously modify, enhance, and improve our platform to keep pace with changes to Internet-related hardware; mobile operating systems; and other software, communication, browser, and database technologies. We may not successfully develop these modifications, enhancements, and improvements, or bring them to market quickly or cost-effectively in response to market demands. Furthermore, uncertainties about the timing and nature of new or modified network platforms or technologies could increase our research and development expenses. Any failure of our products or services to keep pace with technological changes or operate effectively with future network platforms and technologies, or to do so in a timely and cost-effective manner, could reduce the demand for our platform, result in customer dissatisfaction, reduce our competitive advantage, and harm our business.

***Our business relies on having a strong brand, and if we are not able to develop, maintain, and enhance our brand, our business and operating results may be harmed.***

We believe that developing, maintaining, and enhancing our brand is critical to achieving widespread acceptance of our products and services, attracting new customers, retaining existing customers, persuading existing customers to expand their relationships with us, and hiring and retaining employees. We believe that the importance of our brand will increase as competition in our market further intensifies. Successful promotion of our brand depends on a number of factors, including the effectiveness of our marketing efforts; our ability to provide high-quality, reliable, and cost-effective products and services; the perceived value of our products and services, including our platform; our ability to provide a quality customer success experience; and our ability to control or influence perception of our brand.

Brand promotion activities require us to make substantial expenditures. We have made, and continue to make, significant investments in the promotion of our brand; however, the success of these investments is uncertain. Our brand promotion may not generate customer awareness or increase revenue, and any revenue increase may not offset the expenses we incur in building and maintaining our brand. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to realize a sufficient return on our brand-building efforts or fail to achieve the widespread brand awareness that is critical for broad customer adoption of our products and services, which could harm our business and operating results.

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

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our forecasts, including the size and expected growth in the total addressable market for collaborative work management platforms, may prove to be inaccurate, or may decline rapidly as a result of unforeseen or unanticipated events and their ongoing effects, sharp increases in inflation and interest rates, or sudden market changes. Even if these addressable markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

**Risks Related to Our Commercial and Financial Operations**

***It is difficult to predict our future operating results.***

Our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties, including planning for and modeling future growth. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If the assumptions regarding these risks and uncertainties that we use to plan our business are incorrect or change due to industry or market developments, or if we do not address these risks successfully, our operating results could differ materially from our expectations and our business could suffer.

***We have a history of cumulative losses and may incur losses in the future.***

While we achieved profitability for the quarter ended October 31, 2024 under the U.S. Generally Accepted Accounting Principles ("GAAP"), we have previously incurred losses in each period since we incorporated in 2005. We generated net income of $1.3 million and incurred net loss of $32.4 million during the three months ended October 31, 2024 and October 31, 2023, respectively, and generated net income of $0.3 million and incurred net loss of $95.7 million during the nine months ended October 31, 2024 and October 31, 2023, respectively. As of October 31, 2024, we had an accumulated deficit of $912.5 million. These historical losses and accumulated deficit reflect the substantial investments we made to develop our products and services, acquire new customers, and maintain and expand relationships with existing customers. We expect our operating expenses to increase in absolute dollars in the future due to anticipated increases in sales and marketing expenses, research and development expenses, and general and administrative expenses, and we may continue to incur losses in future periods. Furthermore, to the extent we are successful in increasing and expanding our customer base, we may also incur increased losses due to associated upfront costs, particularly as a result of the nature of subscription revenue, which is generally recognized ratably over the term of the subscription period. You should not consider our recent revenue growth and profit margin expansion as indicative of our future performance. Our growth and expansion could slow or decline for a number of reasons, including slowing demand for our products and services; reduced conversion from our free trial users or collaborators to paid users; the introduction of new or modified pricing and packaging models; increased losses; increasing competition; the impact of macroeconomic conditions, including inflation, elevated interest rates, and changes to buying patterns; or our failure to capitalize on growth opportunities. Accordingly, we cannot assure you that we will maintain profitability in the foreseeable future.

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

Our future growth depends, in part, upon increasing our customer base and expanding sales to, and renewing subscriptions with, our existing customers. Our ability to achieve significant growth in revenue in the future will depend upon the effectiveness of our sales and marketing efforts, both domestically and internationally; the effectiveness of our research and development efforts; our pricing and packaging models; our ability to predict customer demands; our ability to continue to attract new customers; and our ability to expand our relationship with existing customers by addressing new use cases, increasing the number of users, or selling additional products and services. These endeavors may be particularly challenging where an organization is reluctant to try, or invest further in, a cloud-based collaborative work management platform or where an organization has already invested significantly in an existing third-party solution. Additionally, we continue to monitor how current macroeconomic conditions, including inflation, adjustments to interest rates, and general economic and political uncertainty may affect the adoption or expansion of cloud-based solutions and our success in engaging new customers and expanding existing customer relationships. If we fail in our marketing or research and development efforts, to predict customer demand, to understand the impact of macroeconomic conditions, or to attract new customers and maintain and expand those and existing customer relationships, then our revenue may grow more slowly than expected, may not grow at all, or may decline, and our business may be harmed.

Moreover, many of our subscriptions are sold for a one-year term. While most of our subscriptions provide for automatic renewal, our customers have no obligation to renew their subscription after the expiration of the term, and automatic renewal clauses may not be enforceable against certain customers. We cannot assure you that our customers will renew subscriptions with a similar contract period, with the same or greater number of users or premium capabilities, or that they will renew at all. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction with our platform or services, our pricing or pricing structure, the pricing or capabilities of our competitors' products and services, the effects of economic conditions, or reductions in our customers' spending levels. If our customers do not renew their agreements with us, or renew on terms less favorable to us, our revenue may decline.

***Our quarterly operating results may fluctuate significantly and may not fully reflect the underlying performance of our business.***

Our quarterly operating results, including the levels of our revenue, ARR, gross margin, profitability, cash flow, and deferred revenue may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly operating results may fluctuate due to a variety of factors, many of which are outside of our control, and, as a result, they may not fully reflect the underlying performance of our business. Fluctuations in quarterly operating results may reduce the value of our Class A common stock. Factors that may cause fluctuations in our quarterly results include, but are not limited to:

- our ability to attract new customers and expand existing customers, domestically and internationally;
- interest rate increases, which may negatively impact our customers' income or access to capital;
- the addition or loss of large customers, including through acquisitions or consolidations;
- the mix of customers obtained through self-service on our website and sales-assisted channels;
- customer renewal rates and the extent to which customers purchase services and subscribe for additional users and products;
- changes in our pricing policies or offerings, or those of our competitors;
- customers impacted by macroeconomic downturns and seeking bankruptcy protection or other similar relief;
- the impact of rising inflation rates, particularly in the U.S. where the majority of our customers are located;
- customers' failure to pay amounts due, customers' extending the time to pay amounts due, our inability to collect amounts due, and the cost of enforcing the terms of our contracts, including litigation costs;
- the timing and growth of our business, in particular through hiring new employees and international expansion;
- our ability to hire, train, and maintain our sales force and other employees in customer-facing roles;
- the length and timing of sales cycles, with a significant portion of our larger transactions occurring in the last few days and weeks of each quarter;
- the timing of recognition of revenue;
- the amount and timing of operating expenses;
- the amount and timing of share-based compensation expense;
- the timing and success of new product and service introductions by us or our competitors, or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers, or strategic partners;
- customers delaying purchasing decisions for any reason, including in anticipation of new products or capabilities by us or our competitors;
- the timing and effectiveness of new and existing sales and marketing initiatives;
- the timing of expenses related to the development or acquisition of technologies or businesses, and potential future charges for impairment of goodwill from acquired companies;

- network or service outages, Internet disruptions, actual or perceived security breaches impacting us directly or indirectly via our third-party vendors, and the costs associated with responding to and addressing outages or breaches;
- changes in laws and regulations that affect our business, the costs to maintain or achieve compliance with changes in laws and regulations, and any lawsuits or other proceedings involving us or our competitors;
- the ongoing impact of, including any market volatility and economic disruption caused by, geopolitical instability;
- changes in foreign currency exchange rates or addition of currencies in which our sales are denominated; and
- general economic, industry, and market conditions.

***We derive substantially all of our revenue from a single offering.***

Although we offer and continue to develop additional solutions, we currently derive, and expect to continue to derive, substantially all of our revenue from the sale of subscriptions to our cloud-based collaborative work management platform. As a result, the continued growth in market demand for our platform is critical to our continued success. Demand for our platform is affected by a number of factors, including continued market acceptance; the timing of development and release of competing products and services; price or product changes by us or by our competitors; technological changes; growth or contraction in the markets we serve; and general economic conditions and trends. In addition, some current and potential customers, particularly large organizations, may develop or acquire their own internal collaborative work management tools or continue to rely on traditional tools that would reduce or eliminate the demand for our platform. If demand for our platform declines for any of these or other reasons, our business could be adversely affected.

***Because we recognize revenue from subscriptions and support services over the term of the relevant service period, downturns or upturns in new sales or renewals may not be immediately reflected in our operating results and may be difficult to discern.***

We recognize subscription revenue from customers ratably over the terms of their subscription agreements, which are typically one year. As a result, most of the subscription revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. A decline in new or renewed subscriptions in any single quarter will likely only have a minor effect on our revenue for that quarter, but such a decline will reduce our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our pricing policies or customer retention rates may not be fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period because subscription revenue from new customers is recognized over the applicable subscription term.

***We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.***

Although we currently generate sufficient cash to fund our ongoing operations, we may be unable to continue doing so in future periods. In the future, we may also require additional capital to respond to business opportunities, challenges, acquisitions, or unforeseen circumstances. Deterioration in worldwide credit markets, inflation, fluctuations in interest rates, instability in the global banking sector, and contractual restrictions related to the Merger could limit our ability to obtain external financing to fund our operations and capital expenditures. We may not be able to timely secure debt or equity financing on favorable terms, or at all. Any debt financing agreement could include restrictive covenants that limit our capital raising activities or other financial and operation matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Furthermore, we may not be able to generate sufficient cash to service any debt financing, which may force us to sell assets or reduce or delay capital expenditures. If we raise additional funds through further issuances of equity, convertible debt securities, or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our Class A common stock. If we are unable to obtain adequate financing on terms satisfactory to us when necessary, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

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

We transact with the majority of our customers and vendors in U.S. dollars, but we also transact in certain foreign currencies and may transact in additional foreign currencies in the future. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and operating results due to transactional and translational re-measurement that is reflected in our earnings. Foreign currency exchange rate fluctuations may be materially impacted by macroeconomic conditions, including increases in inflation, fluctuations in interest rates, instability in the global banking sector, and any global events, wars, or regional conflicts.

As a result of foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and operating results. In addition, to the extent that fluctuations in currency exchange rates cause our operating results to differ from our expectations or the expectations of our investors, the trading price of our Class A common stock could decrease. Our foreign currency exchange policy approves the use of certain hedging instruments, including spot transactions, forward contracts, swap contracts, and purchased options with maturity of up to eighteen months. The use, if any, of approved hedging instruments may not offset any (or more than a portion) of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure them effectively.

***Our sales are generally more heavily weighted toward the end of each fiscal quarter and towards the end of our fiscal year, which could have an impact on the timing of our billings, revenue, collections, and the reporting of these metrics for any given quarter, for subsequent quarters, or for a subsequent fiscal year.***

Our sales cycles are generally more heavily weighted toward the end of each fiscal quarter, with a high volume of sales in the last few weeks and days of the quarter, and our sales are more weighted in the latter half of our fiscal year. Sales can otherwise be dependent on customer purchasing patterns and the timing of particularly large transactions. Any of the foregoing may have an impact on the timing of revenue recognition, calculated billings, and cash collections; may cause fluctuations in our operating results and cash flows; may make it challenging for an investor to predict our performance on a quarterly or annual basis; and may prevent us from achieving our quarterly or annual forecasts.

Compression of sales activity to the end of the quarter and fiscal year also greatly increases the likelihood that sales cycles will extend beyond the quarter or fiscal year in which they are forecasted to close for some sizable transactions, which may harm forecasting accuracy and adversely impact new customer acquisition metrics for the quarter or fiscal year in which they are forecasted to close. Further, the concentration of business and contract negotiations in the last few weeks and days of the quarter and towards the end of our fiscal year may require us to allocate additional sales operations, legal, and finance employees and resources.

**Risks Related to Our General Operations**

***We have experienced rapid growth and expect our growth to continue. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and operational controls, or adequately address competitive challenges.***

We have recently experienced a period of rapid growth in our personnel headcount and operations and expect to continue to invest in our growth in the future. During the period from January 31, 2019 to October 31, 2024 we grew from 1,101 employees to 3,303 employees. In addition, we have engaged temporary workers and contractors in various jurisdictions throughout the world to supplement our employee base. This growth has made our operations more complex and has placed, and future growth will place, a significant strain on our management, and on our administrative, operational, and financial infrastructure. Our success will partly depend on our ability to effectively manage this growth and complexity.

We anticipate that we will continue to expand our operations and personnel headcount in the near term. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls, processes, and documentation, and our reporting systems and procedures. Failure to effectively manage growth or complexity could result in difficulties growing and maintaining our customer base; cost increases; inefficient and ineffective responses to customer needs; delays in developing and deploying new features, integrations, or services; violations of law; breaches of contract; or other operational difficulties. Any of these difficulties could harm our business and operating results.

***As a substantial portion of our sales efforts are targeted at enterprise and government customers, our sales cycles may become more complex, we may encounter implementation and configuration challenges, and we may have to delay revenue recognition for more complicated transactions, all of which could harm our business and operating results.***

Our ability to increase revenue and achieve and maintain profitability largely depends on widespread acceptance of our platform by large enterprises, government agencies, and other organizations. Sales efforts targeted at enterprise and government customers require acceptance by and support of the customers’ knowledge workers and senior management and involve greater costs; longer sales cycles, including complex customer procurement and budgeting considerations; greater competition; increased operational burden; potential reseller or other third-party involvement; and less predictability. In the large enterprise and government agency markets, the customer’s decision to use our products and services can sometimes be an organization-wide decision, in which case, we will likely be required to provide greater levels of customer education, training, and support to familiarize potential customers with the use and benefits of our platform and services.

In addition, larger enterprises, and customers in regulated industries such as financial services, health care, and education, may demand more features, configuration options, and integration services. Customers in these industries have increasingly prioritized the security of their digital assets and information when making decisions regarding purchasing Internet-based products and services, often process large quantities of sensitive information or personal data, and routinely have complex supplier requirements. As a result, these customers often seek platforms that offer enhanced or specialized security measures and data back-up procedures. Attracting and retaining customers in these industries may require enhancements to or additional engineering of our platform to meet these requirements, may require us to devote greater sales support, research and development, customer support, professional services resources, and such efforts may result in increased costs, lengthened sales cycles, and a disproportionate diversion of resources to a smaller number of customers. This resource allocation and commitment to any changes to our platform could be costly and time consuming and could divert the attention of our management and key personnel from other business operations; investments and efforts in furtherance of changes to our platform may not take place in a timely manner, or at all. Moreover, some of these larger transactions may require us to delay revenue recognition until the technical or implementation requirements have been met. Any of the foregoing effects could harm our business and operating results.

***Our growth depends on the expansion and effectiveness of our sales force, domestically and internationally.***

Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, enabling, and retaining sufficient numbers of sales personnel to support our growth. New hires require significant enablement and may take considerable time before they achieve full productivity, particularly in new sales territories. We may be unable to hire sufficient numbers of qualified individuals in the markets where we do business or plan to do business, attrition rates may increase, and we may face enablement challenges with recent or future hires. Additionally, we believe that there is significant competition for sales personnel with the skills and technical knowledge that we require, and among other things this may require us to explore new markets to find talent or increase sales targets for existing sales personnel. If we are unable to hire, enable, and retain sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, then our business could be adversely affected.

***Our failure to attract, engage, and retain highly qualified personnel could harm our business.***

Our growth strategy depends on our ability to staff our organization with skilled personnel and create a high-performance culture. Recruiting, engaging, and retaining qualified individuals requires significant time, expense, and attention. In addition to hiring new employees and contractors, we must continue to focus on retaining our best employees. The market for skilled personnel is very competitive, especially in emerging areas of focus such as AI and machine learning and in markets where our company is less well known. We compete with many other companies for software engineers with requisite experience in designing, developing, and managing cloud-based software, as well as for skilled product development, marketing, sales, and operations professionals, and we may not always attract, engage, or retain employees with the appropriate qualifications and experience.

We have supplemented our employee workforce with contractors, and our engagements with contractors could expose us to claims that we have misclassified these workers, which could subject us to liability. In addition, immigration laws may limit our ability to recruit individuals outside their countries of citizenship. Any changes to immigration policies that restrain the flow of technical and professional talent may inhibit our ability to recruit and retain highly qualified employees.

Further, many of the companies that we compete with for experienced personnel have greater resources than we do. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees, alone or with our inducement, have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived or actual value of our equity awards declines, it may reduce our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to engage and retain our current personnel, our business and future growth prospects could be harmed.

***If we cannot maintain our corporate culture as we grow and work in a hybrid working environment, we could lose the innovation, teamwork, and passion that we believe contribute to our success, and our business may be harmed.***

We believe that a critical component of our success has been our corporate culture. We have invested substantial time and resources in building our team. As we continue to expand globally and continue to operate in a hybrid working environment, we will need to preserve and maintain our corporate culture among a larger number of employees who are dispersed globally in various geographic regions, both in our offices and remotely. 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.

***We may not receive significant revenue from our current development efforts for several years, if at all.***

Developing our products and services is expensive and the investment in technological development often involves a long return on investment cycle. We incurred research and development expenses of $63.5 million and $58.3 million during the three months ended October 31, 2024 and 2023, respectively, and $189.5 million and $172.8 million during the nine months ended October 31, 2024 and 2023, respectively. We have made, and expect to continue to make, significant investments in product development, infrastructure, security, and related opportunities. Accelerated product introductions and short product life cycles require high levels of expenditures that could adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate significant resources to our development efforts to maintain and improve our customer engagement and competitive position. However, we may not receive significant revenue from these investments for several years, if at all.

***We may experience difficulties in accurately predicting optimal pricing necessary to attract new customers and retain existing customers.***

We have changed, and expect in the future that we will continue to change, our published and unpublished pricing and packaging models. We have previously deployed, and may continue to deploy, multiple structures and models of pricing and packaging to serve our wide variety of customers, including trial and free versions of our platform. As the market for our products and services matures, as competitors introduce new products or platforms that compete with ours, and as we continue to expand into new international markets, we may be unable to attract and retain customers at the same price or based on the same pricing and packaging models as we have historically, if at all, and some of our competitors may offer their products at a lower price.

Further, we may have difficulty attracting and retaining customers based on new or existing pricing and packaging models, especially in the event that we increase our prices or make changes to the models that result in higher or more dynamic costs to customers, and new models may inhibit organic growth from individuals who have traditionally used our products and services as free collaborators. Pricing and packaging decisions, including a failure to optimally price and package our products and services, may also negatively impact customer adoption of our platform and capabilities, result in difficulties modeling our financial results, and may harm our operating results. Moreover, larger enterprises may demand substantial price concessions. As a result, in the future we may be required to reduce our prices, which could harm our operating results.

***The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could negatively affect our ability to market our platform.***

We rely on our reputation and recommendations from key customers in order to promote and sell subscriptions to our platform. The loss of, or failure to renew by, any of our key customers could have a negative effect on our revenue, reputation, and our ability to obtain new customers. In addition, if our customers are acquired by other companies, it could lead to cancellation of such customers’ contracts, thereby reducing the number of our existing and potential customers.

***If we fail to offer high-quality customer support, our business and reputation may be harmed.***

Our customers rely on our customer support organization to respond to inquiries about, and resolve issues with, their use of our platform. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services could increase costs and harm our operating results. Customers who elect not to purchase enhanced support may be unable to sufficiently address their support issues through self-service, and their support requests may not be prioritized once received by us; this may result in a poor customer experience. In addition, our sales process is highly dependent on the ease of use of our platform, our business reputation, and positive recommendations from our existing customers. Any failure to maintain a high-quality customer support organization, or a market perception that we do not maintain high-quality customer support, could harm our reputation, our ability to sell to existing and prospective customers, and our business.

***Our long-term growth depends in part on being able to expand internationally on a profitable basis.***

Historically, we have generated a majority of our revenue from customers in the United States. We are expanding internationally and plan to continue expanding our international operations as part of our growth strategy. There are certain risks inherent in conducting international business, including:

- fluctuations in foreign currency exchange rates or adding additional currencies in which our sales are denominated;
- new, or changes in existing, regulatory requirements;
- costs of localizing our platform and services;
- lack of (or delayed) acceptance of localized versions of our platform and services;
- difficulties in and costs of staffing, managing, and operating our international operations, including compliance with local labor and employment laws and customs and enforcement of contractual obligations outside the U.S.;
- tax issues, including restrictions on repatriating earnings, and with respect to corporate operating structures and intercompany arrangements;
- weaker intellectual property protection;
- the ongoing uncertainty, difficulty of, and burden and expense involved with, compliance with shifting global privacy, data protection, and cyber and information security laws and regulations, such as the General Data Protection Regulation 2016/679 (“GDPR”) and related cross-border data transfer requirements, and other recently enacted and emerging U.S. state privacy laws;
- economic weakness or currency-related crises;
- the burden of complying with a wide variety of U.S. and global laws and regulations applicable to foreign operations, including, import and export control laws and regulations, anti-corruption laws, tariffs, trade barriers, economic sanctions and other regulatory, legal, or contractual limitations on our ability to sell products and services in certain foreign markets, and the risks and costs of non-compliance;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- our ability to adapt to sales practices and customer requirements in different cultures;
- lack of brand recognition and increased competition;
- the impact of wars and conflicts in foreign jurisdictions;
- political instability, uncertainty, or change;

- health or similar issues, including epidemics or pandemics;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, and other trade barriers or protection measures;
- security risks in the countries where we are doing business; and
- our ability to maintain our relationship with resellers to distribute our products and services internationally.

Any of these risks could adversely affect our business. For example, compliance with laws and regulations applicable to our international operations increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with government requirements as they change from time to time. Failure to comply with these laws or regulations could have adverse effects on our business. In addition, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or applicable U.S. laws and regulations. As we grow, we continue to implement compliance procedures designed to prevent violations of these laws and regulations. We cannot guarantee that all of our employees, contractors, resellers, and agents will comply with our compliance policies or with applicable laws and regulations. Violations of laws or compliance policies by our employees, contractors, resellers, or agents could result in delays in revenue recognition; financial reporting misstatements; fines; penalties; breaches of contractual obligations; or the prohibition of the import or export of our products and services, any of which and could have a material adverse effect on our business and operating results.

Further, our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. We expect that our international activities will continue to grow as we pursue further opportunities in existing and new markets and that our expansion efforts into new markets may accelerate, which will require significant management attention, financial resources, and compound the risks inherent to international expansion. If we invest substantial time and resources to expand our international operations and are unable to do so successfully, or in a timely manner, our business and operating results will suffer.

***Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.***

Our success and ability to compete depend, in part, upon our intellectual property. Failure to protect our intellectual property, including the unauthorized use of our intellectual property or a violation of our intellectual property rights by third parties may damage our brand and our reputation. In addition to certain patents and patent applications, we primarily rely on a combination of copyright, trademark, and trade secret protections, and confidentiality and license agreements with our employees, customers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. In addition, the laws of some foreign countries do not protect intellectual property and proprietary rights to the same extent as the laws of the U.S. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that patents will be granted or that awarded patents will effectively protect every significant feature of our products and services. We also believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand, and maintaining goodwill. If we do not adequately protect our rights in our trademarks from infringement and unauthorized use, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and it could result in the impairment or loss of portions of our intellectual property rights. Any efforts to enforce our intellectual property rights may be met with actions attacking the validity and enforceability of such rights. Accordingly, we may not be able to prevent third parties from using our intellectual property. Remedies following any infringement or misappropriation, including injunctive relief, may be insufficient to prevent the infringement or misappropriation or otherwise address the damages sustained. Our failure to secure, protect, and enforce our intellectual property rights could significantly damage our brand and our business.

***We may be sued by third parties for alleged infringement of their proprietary rights.***

There is considerable patent and other intellectual property development activity in our industry. Our future success depends on our technology, products, and services not infringing upon the intellectual property rights of others. Our competitors, and other entities, including non-practicing entities and individuals, may own or claim to own, intellectual property relating to our industry. Our competitors or other third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon or misappropriating these rights. Additionally, we rely on the feedback provided by our customers and users to inform decisions on potential changes to our products and services, and we negotiate agreements with our customers that may include license rights to intellectual property developed while performing professional services. This feedback and these license rights may provide a customer or user a basis for competing against us, demanding royalties for use of intellectual properties, or contesting ownership and seeking to enjoin our use of current or future intellectual property.

Third parties have occasionally alleged that our technology infringes upon their intellectual property rights. In the future, others may raise the same or similar claims and may assert claims against us, even if we are unaware of their intellectual property rights. Any of these claims and related litigation could cause us to incur significant expenses, and, if successfully asserted against us, could require that we pay substantial damages, settlement fees, or ongoing license or royalty payments; cease offering our platform or services or cease using certain technologies; implement expensive workarounds; or comply with other unfavorable conditions.

We may also be required to issue customer refunds and be obligated, without contractual limitation of liability provisions to limit our exposure, to indemnify our customers or business partners for intellectual property claims or litigation. Even if we were to prevail in any intellectual property dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations. During any litigation, we may make announcements regarding the results of hearings and motions and other interim developments, which could cause the market price of our Class A common stock to decline if securities analysts and investors view those announcements negatively.

***The requirements of being a public company, including maintaining adequate internal control over our financial and management systems, may strain our resources and divert management's attention.***

As a public company we incur significant legal, accounting, and other expenses. We are subject to reporting requirements of the Securities Exchange Act of 1934, as amended, ("Exchange Act"), the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), the rules subsequently implemented by the SEC, the rules and regulations of the listing standards of the New York Stock Exchange ("NYSE"), and other applicable securities rules and regulations. Compliance with these rules and regulations strains our financial and management systems, internal controls, and employees.

To comply with the Sarbanes-Oxley Act and to maintain and, if required, improve our disclosure controls, procedures, and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud. If we have material weaknesses or deficiencies in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated.

In addition, we are required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We will continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, operating results, and financial condition.

***We intend to evaluate acquisitions or investments in third-party technologies and businesses, but we may not realize the anticipated benefits from, and may have to pay substantial costs related to, any acquisitions, mergers, joint ventures, or investments that we undertake.***

As part of our business strategy, we continually evaluate acquisitions of, or investments in, a wide array of potential strategic opportunities, including third-party technologies and businesses. We may be unable to identify suitable transaction candidates in the future or to complete these transactions on a commercially reasonable basis, or at all. The evaluation of potential acquisitions and investments requires diversion of time and resources from normal business operations and may cause us to incur fees from outside advisors. Any transactions that we enter into could be material to our financial condition and operating results. These transactions may not result in the intended benefits to our business, and we may not successfully evaluate or utilize any acquired technology, offerings, or personnel, or accurately forecast the financial effect of a transaction. Although we conduct reasonably extensive due diligence of any transaction target entity, our due diligence may not reveal every concern that may exist with the target entity, the proposed transaction, and any subsequent integration. The process of acquiring a company or integrating an acquired company, business, technology, or the associated personnel into our own company is subject to various risks and challenges, including:

- diverting management time and focus from operating our business to acquisition integration;
- disrupting our respective ongoing business operations;
- customer and industry acceptance of the acquired company's offerings;
- implementing or remediating the controls, procedures, and policies of the acquired company;
- integrating acquired technologies into our own platform and technologies, including ensuring that we acquire the necessary intellectual property rights required to implement the integration;
- our ability to ensure that we maintain quality, security, and data privacy standards for the acquired technology consistent with our brand;
- retaining and integrating acquired employees;
- failing to maintain important business relationships and contracts;
- failing to realize any anticipated synergies;
- using cash or equity that we may need in the future to operate our business or incurring debt on terms unfavorable to us or that we are unable to pay;
- liability for activities of the acquired company before the acquisition;
- liability arising from contracts entered into by the acquired company before the acquisition, which may include contracts that are in active breach by the company or another party, or contracts which may not align with our acceptable contracting principles or liability limitations;
- litigation or other claims arising in connection with the acquired company;
- impairment charges associated with goodwill and other acquired intangible assets; and
- other unforeseen operating difficulties and expenditures.

Our limited experience acquiring companies may increase these risks. Our inability to address these risks or other problems that we encounter with our acquisitions and investments could result in a failure to realize the anticipated benefits of these acquisitions or investments, unanticipated liabilities, and harm to our business.

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

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

The market price of our Class A common stock has been, and will likely continue to be, volatile. Since our IPO in April 2018, our stock price has ranged from $18.06 to $85.65 through November 29, 2024. In addition to the factors discussed in this Quarterly Report on Form 10-Q, the trading prices of the securities of technology companies in general have been highly volatile.

The market price of our Class A common stock may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- price and volume fluctuations in the overall stock market or in the trading volume of our shares or the size of our public float;
- negative publicity related to the real or perceived quality of our platform, as well as the failure to timely launch new features, integrations, or services that gain market acceptance;
- actual or anticipated fluctuations in our revenue or other operating metrics;
- changes in the financial projections we provide to the public or our failure to meet financial projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- recruitment or departure of key personnel;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- global macroeconomic factors and the market conditions in our industry, including inflation and variations in interest rates;
- rumors and market speculation involving our company or other companies in our industry;
- actual or perceived failures or breaches of security or privacy, and the costs associated with responding to and addressing any such actual or perceived failures or breaches;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- indemnity demands or lawsuits threatened or filed against us;
- other events or factors, including those resulting from wars and conflicts, incidents of terrorism, public health concerns or epidemics, or responses to these events;
- sales of our Class A common stock held by our large institutional shareholders; and
- sales of additional shares of our Class A common stock by us, our directors and executive officers, or our other shareholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities. In particular, the stock markets have been volatile in response to macroeconomic conditions such as inflation, instability in the global banking sector, and adjustments to interest rates, geopolitical wars and conflicts, the COVID-19 pandemic, and for companies in the technology industry generally; extreme volatility has also resulted for companies that have been targeted for “short squeeze” opportunities. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business.

***Sales of a substantial amount of our Class A common stock in the public markets, particularly sales by our directors, executive officers, and significant shareholders, or the perception that these sales may occur, may cause the market price of our Class A common stock to decline.***

Shares held by our employees, executive officers, directors, and the majority of our security holders are currently tradeable in the public market, subject in certain cases to volume limitations under Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”), various vesting agreements, as well as our insider trading policy. Sales of a substantial number of shares, or the perception that sales may occur, could cause our market price to fall or make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate.

In addition, we have filed a registration statement to register shares reserved for future issuance under our equity compensation plans. Subject to the satisfaction of vesting conditions, the shares issued upon exercise of outstanding stock options or settlement of outstanding restricted stock units (“RSUs”) or performance stock units (“PSUs”) will be available for immediate resale in the U.S. in the open market.

We may also issue our shares of common stock or securities convertible into shares of our common stock in connection with a financing, acquisition, investment, or otherwise. Any further issuance could result in substantial dilution to our existing shareholders and cause the market price of our Class A common stock to decline.

***We cannot guarantee that our share repurchase program will be fully consummated or that such program will enhance the long-term value of our share price.***

In April 2024, our Board approved a share repurchase program to repurchase up to $150 million of our Class A common stock, which can be extended, suspended, or discontinued at any time (the “Share Repurchase Program”). Repurchases may be made in the open market, in privately negotiated transactions or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act, in accordance with applicable securities laws and other restrictions. Although the Share Repurchase Program has been approved, there is no obligation for the Company to repurchase any specific dollar amount of stock, and we may not ultimately purchase any shares. The Share Repurchase Program could affect the price of our stock and increase volatility. Price volatility may cause the average price at which we repurchase our stock in a given period to exceed the stock’s price at a given point in time. We cannot guarantee that the timeframe for repurchases under our Share Repurchase Program or that any repurchases will have a positive impact on our stock price or earnings per share. Important factors that could cause us to discontinue or decrease our share repurchases include, among others, unfavorable market conditions; the market price of our common stock; the nature of other investment or strategic opportunities presented to us from time to time; our ability to make appropriate, timely, and beneficial decisions as to when, how, and whether to purchase shares under the Share Repurchase Program; and the availability of funds necessary to fulfill such repurchases.

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

The trading market for our Class A common stock will depend, in part, on the research and reports that securities or industry analysts publish about our company, our market, and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on our company on a regular basis, demand for our Class A common stock could decrease, which might cause our market price or trading volume to decline.

***Provisions in our corporate charter documents and under Washington law could make an acquisition of our company, which may be beneficial to our shareholders, more difficult and may prevent attempts by our shareholders to replace or remove our current management.***

Provisions in our amended and restated articles of incorporation and bylaws may discourage, delay, or prevent a merger, acquisition, or other change in control of our company that shareholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Class A common stock, thereby depressing the market price. In addition, because our Board is responsible for appointing the members of our senior management team, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our Board. Among other things, these provisions:

- established a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- eliminated the ability of our shareholders to call special meetings of shareholders;
- prohibit shareholder action by written consent unless the consent is unanimous, which requires all shareholder actions to be taken at a meeting of our shareholders;
- established advance notice requirements and informational and procedural requirements for nominations for election to our board or for proposing matters that can be acted upon by shareholders at annual shareholder meetings;
- prohibit cumulative voting;
- provide that directors may only be removed “for cause” and only with the approval of two-thirds of the voting power of our outstanding shares;
- require supermajority voting to amend some provisions in our amended and restated articles of incorporation and amended and restated bylaws; and
- authorized the issuance of “blank check” preferred stock that our board could use to implement a shareholder rights plan, also known as a “poison pill.”

In addition, under Washington law, shareholders of public companies can act by written consent only by obtaining unanimous written consent. This limit on the ability of our shareholders to act by less than unanimous consent may lengthen the amount of time required to take shareholder action.

Moreover, because we are incorporated in the State of Washington, we are governed by the provisions of the Revised Code of Washington Chapter 23B.19, the Washington Business Corporation Act ("WBCA"), which prohibits a "target corporation" from engaging in any of a broad range of business combinations with any "acquiring person," which is defined as a person or group of persons who beneficially owns 10% or more of the voting securities of the "target corporation," for a period of five years following the date on which the shareholder became an "acquiring person."

Any of these provisions of our charter documents or Washington law could, under certain circumstances, depress the market price of our Class A common stock. See Exhibit 4.3 to this Annual Report on Form 10-K for the fiscal year ended January 31, 2024, filed with the SEC on March 20, 2024, titled "Description of Securities Under Section 12 of the Securities Exchange Act of 1934, as amended."

***Our amended and restated articles of incorporation designate the federal and state courts located within the State of Washington as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents.***

Our amended and restated articles of incorporation provide that, unless we consent in writing to an alternative forum: the federal courts located in the State of Washington are the sole and exclusive forum for claims under the Securities Act; and the federal and state courts located within the State of Washington ("Washington Courts") are the sole and exclusive forum for any internal corporate proceedings (as defined in the WBCA), subject to the Washington Courts having personal jurisdiction over the indispensable parties named as defendants and the claim not being one that is vested in the exclusive jurisdiction of a court or forum other than the Washington Courts, or for which the Washington Courts do not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our amended and restated articles of incorporation.

This choice of forum provision may limit our shareholders' ability to bring a claim in a judicial forum that it finds favorable for internal corporate proceedings, which may discourage lawsuits even though an action, if successful, might benefit our shareholders. Shareholders who do bring a claim in Washington Courts could face additional litigation costs in pursuing the claim, particularly if they do not reside in or near the State of Washington. Washington Courts may also reach different judgments or results than would other courts, including courts where a shareholder considering an action may be located or would otherwise choose to bring the action, and any judgments or results may be more favorable to us than to our shareholders. Alternatively, if a court were to find this provision of our amended and restated articles of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving these matters in other jurisdictions, which could have an adverse effect on our business, financial condition or operating results.

**Risks Related to Governmental Regulation**

***Actual or perceived failure to comply with laws, regulations, and commitments affecting our business, including those related to privacy, data protection, marketing, advertising, and information security could harm our business.***

We receive, store, and process personal information and other data from and about customers, potential customers, our employees, partners, and service providers. In addition, customers use our products and solutions to obtain and store personal information, health information (including protected health information), and personal financial information. Our handling of data is thus subject to a variety of laws and regulations in the U.S. and internationally, including those applicable to the collection, processing, disclosure, transfer, and security of certain types of data.

These laws impose stringent data privacy, data protection, and cybersecurity requirements, and could increase our risk of non-compliance and increase the costs of providing our services in a compliant manner. Further, developments related to new and revised laws can occur very quickly, and we expect that new laws, regulations, and industry standards will continue to be proposed and enacted relating to privacy, data protection, marketing, advertising, consumer communications, and information security in the U.S. and internationally. We cannot currently determine the impact these existing and future laws, regulations, and standards may have on our business. Though we endeavor to maintain comprehensive compliance processes and procedures, we cannot guarantee that we will be able to fully comply with these continuously evolving, and potentially conflicting, laws in the jurisdictions in which we operate. The dynamic landscape of, and uncertainty related to, these laws, regulations, and standards may lead to additional costs and increase our overall risk exposure. Any failure or perceived failure by us to comply with such laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance may result in governmental investigations and enforcement actions or notices, litigation, significant fines and penalties, sanctions, orders to cease or change our processing of data, assessment notices (for a compulsory audit), adverse publicity, loss of trust with our customers and partners, civil litigation claims by customers and data subjects, and could jeopardize our ability to sell products and services to customers in certain jurisdictions, and loss of trust with our customers and partners. Any of the foregoing results could have an adverse effect on our reputation and business results.

In addition, our data handling is subject to contractual obligations and industry standards, and we have internal policies and public documentation regarding our collection, processing, use, disclosure, deletion, and security of information. Although we endeavor to comply with these contracts, standards, policies, and documentation, we may at times fail to do so or face allegations of failure to do so. The publication of our privacy practices and other documentation that include commitments about data privacy and security may also subject us to potential actions if they are found to be deceptive, unfair, or otherwise misrepresent our actual practices, which could materially and adversely affect our business, financial condition, and operating results.

***We could be subject to additional sales tax or other tax liabilities.***

State, local, and foreign taxing jurisdictions have differing rules and regulations governing sales, use, value added, and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our platform in various jurisdictions is unclear. It is possible that we could face tax audits and that our liability for these taxes could exceed our estimates as taxing authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. Additionally, we do not collect transaction taxes in all jurisdictions in which we have sales based on our understanding that these taxes are not applicable or that an exemption applies. If we become subject to tax audits in these jurisdictions and a successful assertion is made that we should be collecting sales, use, value added, or other taxes where we have not historically done so, it could result in substantial tax liabilities for past sales; customers deciding not to purchase our products; or harm to our business, operating results, and financial condition.

Further, an increasing number of states and foreign jurisdictions have considered or adopted laws or administrative practices, with or without notice, that impose new taxes on all or a portion of gross revenue or other similar amounts or impose additional obligations on remote sellers to collect transaction taxes such as sales, consumption, value added, or similar taxes. If new laws are adopted in a jurisdiction where we do not collect these taxes, we may not have sufficient lead time to implement systems and processes to collect these taxes. Failure to comply with these laws or administrative practices, or a successful assertion by jurisdictions requiring us to collect taxes where we do not, could result in substantial tax liabilities, including for past sales, as well as penalties and interest. In addition, if the tax authorities in jurisdictions where we are already subject to sales tax or other indirect tax obligations were to successfully challenge our positions, our tax liability could increase substantially.

***Our ability to use our net operating loss to offset future taxable income may be subject to certain limitations.***

As of January 31, 2024, we had U.S. federal net operating loss carryforwards (“NOLs”), of approximately $388.6 million. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (“Code”), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its NOLs to offset future taxable income. As a result, our existing NOLs are, and may continue to be, subject to limitations arising from previous ownership changes.

Future changes in our stock ownership, the causes of which may be outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state laws. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize any tax benefit from the use of our NOLs.

***Changes in tax laws or regulations could be enacted or existing tax laws or regulations could be applied to us or our customers in a manner that could increase the costs of our platform and services and harm our business.***

Income, sales, use, value added, or other tax laws, statutes, rules, regulations, or ordinances could be enacted or amended at any time, possibly with retroactive effect, and could be applied solely or disproportionately to products and services provided over the Internet. These enactments or amendments could reduce our sales activity by increasing gross sales prices, inclusive of tax, and ultimately harm our operating results and cash flows.

In addition, global tax developments applicable to multinational businesses could have an adverse impact on our financial condition, results of operations, and cash flows. Such developments, for example, include without limitation certain Organization for Economic Cooperation and Development proposals regarding the implementation of the global minimum tax under the Pillar Two model rules. We are continuing to evaluate the impact of these tax developments as new guidance and regulations are published. Given these developments, we believe that tax authorities in the U.S. and other jurisdictions are likely to increase audit efforts, which could increase the amount of taxes we incur in those jurisdictions, and in turn, increase our global effective tax rate.

The application of U.S. federal, state, local, and international tax laws to services provided electronically is unclear and continuously evolving. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines, penalties, or interest for past amounts. If we are unsuccessful in collecting these taxes due from our customers, we could be held liable for outstanding amounts, which could adversely affect our operating results and harm our business.

***Failure to comply with Federal Acquisition Regulation clauses or anti-corruption and anti-money laundering laws, including the FCPA and similar laws associated with our activities outside of the U.S., could subject us to penalties and other adverse consequences.***

We are subject to contractual clauses promulgated under the Federal Acquisition Regulations (“FAR”), the Foreign Corrupt Practices Act (“FCPA”), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-corruption and anti-money laundering laws in countries in which we conduct activities. We face significant risks if we fail to comply with the FCPA and other anti-corruption and anti-money laundering laws that prohibit companies and their employees and third-party intermediaries from promising, authorizing, offering, or providing, directly or indirectly, improper payments or anything of value to foreign government officials, political parties, and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person, or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable anti-corruption and anti-money laundering laws and regulations. As we seek to expand our international business activities, our potential liabilities under these laws and regulations could increase.

In addition, we use various third parties to sell our products and services and conduct our business internationally and with the U.S. federal government. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even though these activities would violate our internal policies and even if we do not explicitly authorize these activities. We have implemented an anti-corruption compliance program and adopted an anti-corruption policy, but we cannot assure you that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will comply with our policies and applicable law, and we may be ultimately held responsible for any non-compliance.

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

***Governmental export or import controls could limit our ability to compete in foreign markets and subject us to liability if we violate them.***

Economic sanctions prohibit the distribution of certain products and the provisioning of technology and services to countries, governments, entities. and persons identified by government sanction programs, including trade sanctions regulations maintained by the U.S. Department of Treasury's Office of Foreign Assets Control. If we fail to comply with these economic sanctions or fail to maintain controls sufficient to monitor our sanctions compliance on an ongoing basis, we may suffer reputational harm and the government may fine or impose other civil or criminal penalties on us, including a denial of certain export privileges. While our controls and policies are designed to prevent the use of certain products and services in sanctioned countries, or by governments or persons identified by government sanction programs, we may not be able to prevent distribution or use in violation of these sanctions from occurring, and these controls may not be fully effective. Additionally, trade sanctions and similar regulations may experience periods of rapid and complex change, and we may experience difficulties or delays implementing updated compliance protocols.

Furthermore, our products and services may be subject to U.S. export controls, including U.S. Export Administration Regulations administered by the Department of Commerce's Bureau of Industry and Security, and we incorporate encryption technology into certain features. U.S. export controls may require authorization for export or submissions classifying our products. Governmental regulation of encryption technology and regulation of exports of encryption products, or our failure to obtain required export authorization (or to qualify for exceptions) or licenses for our products and services, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products and services may prevent us from utilizing non-U.S. engineering resources or create delays in the introduction of our feature releases in international markets, prevent our customers with international operations from using our platform and services, or, in some cases, prevent the use of our products and services in some countries or regions altogether. If we fail to comply with these regulations, then we may be subject to criminal and civil penalties.

Moreover, any new export restrictions, trade sanctions, new legislation, or shifting approaches in the enforcement or scope of existing regulations could result in decreased use of our products or services by, or in our decreased ability to export or sell our services or access to our platform to, existing or potential customers with international operations. Any decreased use of our products or services, or limitation on our ability to export or sell our services or access to our platform, would likely adversely affect our business.

**General Risk Factors**

***The loss of one or more of our key personnel could harm our business.***

Our success depends largely upon the continued service of our senior management team, which provides leadership and contributions in the areas of product development, operations, security, marketing, sales, customer support, human resources, finance and accounting, legal, and compliance. From time to time, there may be changes in our senior management team resulting from the hiring, promotion, or departure of executives, which could disrupt our business.

We do not have employment agreements with any member of our senior management team, and we do not maintain key person life insurance for any employee. The loss of one or more of our key employees or members of our senior management team, especially our President and Chief Executive Officer, Mark P. Mader, may be disruptive to our business.

***Contractual disputes or commitments, including indemnity obligations, may be costly, time-consuming, may result in contract or relationship terminations, and could harm our reputation.***

The sale of our products and services to customers, and our engagements with other vendors and partners, are contract intensive and we are a party to contracts globally. Contract terms with these counterparties are not always standardized and may be subject to differing interpretations, which could result in contractual disputes. Our contracts with customers contain a wide variety of operational commitments, including security, privacy, and regulatory compliance obligations. These commitments are memorialized both in legal agreements and documentation describing the features and functionality of our platform. If we fail to meet our commitments, then our counterparties could notify us of an alleged contract breach; make claims or demands for damages arising from their use of our platform; or otherwise dispute any contractual provision or the accuracy of our documentation; and the resolution of these failures, disputes, claims, or demands in a manner adverse to us could negatively affect our operating results. Even the existence of these issues, or resolution in a manner favorable to us could negatively affect our operating results due to the loss of customer goodwill, termination of revenue-generating contracts, or the costs associated with defending or enforcing our contractual rights.

Further, certain of our customer agreements contain service level commitments and/or support commitments. If we are unable to meet the stated commitments, including uptime requirements or target response and performance thresholds, we may be contractually obligated to provide these affected customers with credits or refunds which could significantly affect our revenue in the period in which the failure occurs or the period in which the credits are due. We could also face subscription terminations, which may significantly affect both our current and future revenue. We have issued credits and other recompense to customers in the past based on outages experienced by our platform. Future failures to meet our availability and support commitments could damage our reputation, which would also affect our revenue and operating results.

Our agreements with customers, vendors, and partners may also require us to provide certain defense and indemnity obligations for losses suffered or incurred as a result of third-party claims of intellectual property infringement or other commitments or liabilities relating to or arising from our contractual obligations. Indemnity payments and defense costs may be substantial and could harm our business, operating results, and financial condition. Any dispute involving a customer and relating to our indemnity obligations could have adverse effects on our relationship with that customer and other existing or potential customers and may harm our business and operating results. We cannot guarantee that contractual provisions will protect us from liability for damages in the event we are sued by parties with which we contract, or if we are called upon to fulfill indemnification obligations.

***We may be subject to litigation or regulatory proceedings for a variety of claims, which could adversely affect our operating results, harm our reputation, or otherwise negatively impact our business.***

We may be involved as a party to, or an indemnitor in, disputes or regulatory inquiries that arise in the ordinary course of business. These may include demands, claims, lawsuits, arbitration, or regulatory proceedings regarding labor and employment issues, commercial disagreements, securities law violations, merger and acquisition activity, and other matters. We expect that the number and significance of these potential disputes may increase as our business expands and our company grows larger.

Although we carry general liability, employment practices, and director and officer liability insurance coverage, our insurance may not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all resulting liability. Any claims made against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, and significantly divert operational resources. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, operating results, and prospects.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

***Adverse economic and market conditions and reductions in productivity spending may harm our business.***

Our business depends on the overall demand for cloud-based collaborative work management platforms and on the economic health of our current and prospective customers. The U.S. has experienced cyclical downturns resulting in a significant weakening of the economy, more limited availability of credit, a reduction in business confidence and activity, increased inflation and interest rates, and other difficulties that may affect one or more of the industries to which we sell products and services.

In addition, 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 kind or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. Our ongoing cash management strategy is to maintain diversity in our deposit accounts at multiple financial institutions, but there can be no assurance that this strategy will be successful. If any of our or other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, then our ability to access our cash and cash equivalents may be threatened and could have a material adverse effect on our business and financial condition.

Continued uncertainty due to general macroeconomic conditions makes it difficult for us and our customers to accurately forecast and plan future business activities, which could cause customers to delay or reduce their information technology spending. This could result in reductions in sales of our platform and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies, and increased price competition. Any of these events could harm our business and operating results.

***Political developments, including wars and conflicts, and their associated effects may harm our business.***

Political developments, wars and conflicts, other governmental changes, and trade disputes and tariffs may negatively impact markets and cause weaker macroeconomic conditions. These conditions have created and may in the future create economic, operational, and political uncertainty, including volatility in global financial markets and the value of foreign currencies. For example, the ongoing conflicts in the Middle East and Ukraine have had a negative impact on global economic and market conditions, and any laws, sanctions, or regulations resulting from these conflicts may impact our ability to do business in certain jurisdictions. Any geopolitical wars or conflicts could adversely affect our business in the involved jurisdictions and more broadly in the geographic area surrounding the war or conflict. As we monitor the developments related to and resulting from wars and conflicts, we may be required to adjust our business plans to achieve compliance with applicable law, sanctions, regulations, and, as necessary, to support our customers and employees.

The impact of wars, conflicts, domestic and international political developments, and governmental changes may not be fully realized for several years or more. Uncertainty about these impacts may cause some of our customers or potential customers to curtail spending and may ultimately result in new regulatory, operational, and cost challenges to our global operations. These adverse conditions could result in reductions in sales of our products and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies, and increased price competition. Any of these events would likely have an adverse effect on our business, operating results, and financial position.

***Expectations of our performance relating to environmental, social, and governance factors may impose additional costs and expose us to new risks.***

There is an increasing focus from regulatory bodies, investors, customers, employees, and other stakeholders on corporate responsibility, specifically related to environmental, social, and governance ("ESG") factors. The SEC recently adopted additional disclosure requirements regarding ESG factors, including the impact our business has on the environment, making it important for reporting companies to increase transparency regarding ESG data. A number of other recently enacted and emerging U.S. state and international laws are set to require substantive disclosures regarding greenhouse gas emissions and climate related risks and may become applicable to us. Some investors may use these ESG factors to guide their investment strategies and, in some cases, may choose not to invest in us and instead invest in our competitors if they believe our policies and practices relating to corporate responsibility are inadequate.

Third-party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance, and implementation of these tools can be costly both financially and in terms of human capital. The criteria by which companies' corporate responsibility practices are assessed may change, including as a result of the SEC's recently adopted rules, which may require us to establish additional internal controls, engage additional consultants, and incur additional costs related to evaluating our environmental impact and preparing newly required disclosures. If we are unable to satisfy new criteria, investors may conclude that our corporate responsibility policies are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. Additionally, an increasing number of customers are requesting that we adopt ESG practices that align with their selected criteria, which may require us to allocate more resources to develop and support these practices. If we fail to satisfy their requests, then our business with these customers may be jeopardized or lost.

In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of these initiatives or goals, or we could be criticized for the scope of the initiatives or goals. If we fail to satisfy the expectations of investors, employees, and other stakeholders, or, if our initiatives are not executed as planned, our reputation and business, operating results, and financial condition could be adversely impacted.

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

Natural disasters or other catastrophic events may cause damage or disruptions to our operations. Our corporate headquarters are located in the greater Seattle area, which is an earthquake-prone region. We also rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational support, and sales activities. In addition, we utilize banking and financial services to manage our business and financial operations. In the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, telecommunications failure, a failure of banking or other financial institutions, social unrest, cyber-attack, war, or terrorist attack, our disaster recovery and business continuity plans may be inadequate and we may endure system interruptions; reputational harm; delays in our product development; lengthy interruptions in our platform and services; breaches of data security; loss of critical data; delays in payment processing or the inability to access financial assets; and inability to continue our operations, all of which could harm our operating results. In addition, the long-term effects of climate change on general economic conditions and the technology industry are unclear, and this may heighten or intensify existing risk of natural disasters that could negatively impact our business.

**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities**

**Unregistered Sales of Equity Securities**

None.

**Issuer Purchases of Equity Securities**

The following table summarizes the share repurchase activity for the three months ended October 31, 2024:

| | 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[1] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1] |
|---|---|---|---|---|
| | (in thousands) | | (in thousands) | (in thousands) |
| August 1 - 31, 2024 | 210 | $ 46.05 | 210 | $ 100,000 |
| September 1 - 30, 2024 | — | — | — | 100,000 |
| October 1 - 31, 2024 | — | — | — | 100,000 |
| Total | 210 | | 210 | |

*(1) In April 2024, the Company's Board of Directors authorized the repurchase of up to $150 million of the Company's outstanding Class A common stock. Repurchases under the program are made through open market, block trades, and/or privately negotiated trades pursuant to 10b5-1 plans, in compliance with applicable securities laws and other requirements. The program has no minimum purchase commitment and may extend over a period of up to 12 months. The timing, manner, price, and amount of the repurchases are subject to the discretion of the company's management. The repurchase program does not obligate the Company to acquire any particular amount of Class A common stock and it may be suspended or discontinued at any time. Refer to Note 9, Shareholders' Equity, to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q for additional information related to our share repurchases.*

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

**Item 5. Other Information**

**(c) Rule 10b5-1 Plan Elections**

During the three months ended October 31, 2024,  none of our directors or officers adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

**Item 6. Exhibits**

| Exhibit Number | Exhibit Title | Incorporated by Reference Form | File No. | Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 2.1* | Agreement and Plan of Merger, dated September 24, 2024, by and among Smartsheet, Einstein Parent, Inc. and Einstein Merger Sub, Inc. | 8-K | 001-38464 | 2.1 | September 24, 2024 | |
| 3.1 | Amended and Restated Articles of Incorporation | 10-Q | 001-38464 | 3.1 | June 12, 2018 | |
| 3.2 | Amended and Restated Bylaws | 8-K | 001-38464 | 3.1 | February 2, 2024 | |
| 10.1 | Support Agreement, dated September 24, 2024, by and between Smartsheet and VEPF VIII SPV I, L.P. | 8-K | 001-38464 | 10.1 | September 24, 2024 | |
| 10.2 | Independent Contractor Agreement by and between the Registrant and Stephen Branstetter, dated September 17, 2024 | | | | | X |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.1** | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.2** | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 101 | The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2024 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Changes in Shareholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags. | | | | | X |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2024, formatted in Inline XBRL (included in Exhibit 101). | | | | | X |

* The schedules to the Agreement and Plan of Merger have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Smartsheet will furnish copies of any such schedules to the SEC upon request.

** This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

## SIGNATURES

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

**SMARTSHEET INC.**

| | |
|---|---|
| By: | /s/ Mark P. Mader |
| Name: | Mark P. Mader |
| Title: | President and Chief Executive Officer |
| | *(Principal Executive Officer)* |

Date: December 5, 2024

| | |
|---|---|
| By: | /s/ Pete Godbole |
| Name: | Pete Godbole |
| Title: | Chief Financial Officer and Treasurer |
| | *(Principal Financial and Accounting Officer)* |

Date: December 5, 2024

**SMARTSHEET INC.**
**INDEPENDENT CONTRACTOR AGREEMENT**

This Independent Contractor Agreement ("**Agreement**") is entered into by and between Smartsheet Inc., with offices at 500 108th Ave NE #200, Bellevue WA 98004 ("**Smartsheet**"), and Stephen Branstetter, with an address at [**REDACTED**] ("**Contractor**"). This Agreement is effective as of the date of last signature below (the "**Effective Date**").

**1. <u>Services; Relationship of the Parties</u>**

1.1 <u>Services</u>. During the period of September 19, 2024 to November 18, 2024 ("**Service Period**"), Contractor will provide services to Smartsheet up to twenty (20) hours per week in the nature of business analysis, assisting the Chief Financial Officer with business queries, and executive transition support ("**Services**"). Contractor will answer questions, discuss information, attend meetings, etc. as requested by Smartsheet. In the event that (a) Contractor determines that he or she is unable to provides services for twenty (20) hours per week or (b) Contractor accept full-time employment with a third party, Contractor shall notify Smartsheet (via email to jo.deal@smartsheet.com) within twenty-four (24) hours of such determination or acceptance.

1.2 <u>Relationship of the Parties</u>. Contractor is an independent contractor of Smartsheet with respect to the Services. The parties hereby disclaim any intention to create an employment relationship or any relationship other than that of independent contractors. If Contractor is an individual, Contractor will not represent himself or herself to be an employee of Smartsheet, and Contractor will not enter into any agreement on Smartsheet's behalf. Other than as specified in Section 2 (Compensation) below, Contractor is not entitled to, and waives any claim to, health insurance, vacation, sick time, benefits under any retirement, pension or profit sharing plan, or similar benefits that may be available to employees of Smartsheet. Smartsheet will not control or direct the details and means by which Contractor performs work, except to the extent necessary to coordinate Contractor's work with Smartsheet's personnel and/or the general requirements of each Statement of Work.

**2. <u>Compensation</u>**

2.1 <u>Fees</u>. During the Service Period, Contractor will be deemed to be providing Service as defined under the Smartsheet 2018 Equity Incentive Plan (the "**2018 EIP**") and will not have ceased to provide services for purposes of the 2015 Equity Incentive Plan (the "**2015 EIP**"), thus allowing the continuation of the vesting and exercise provisions related to Smartsheet equity awards received by Contractor during their time as an employee of Smartsheet (e.g., grants [**REDACTED**]). At the conclusion of the Service Period, Contractor's Service under both the 2018 EIP and 2015 EIP will terminate, causing (a) the post-termination exercise window to begin for any vested stock option awards, (b) vesting to cease for, and forfeiture of, any restricted stock units, and (c) vesting to cease for, and forfeiture of, any performance stock units. For the avoidance of doubt, all equity awards will continue to be subject to the 2018 EIP and 2015 EIP, as applicable. The equity award continuance shall be the only compensation payable to Contractor during the Service Period.

2.2 <u>Expenses</u>. Smartsheet will also reimburse Contractor, at actual cost with no mark up, for Contractor's reasonable expenses incurred in connection with providing the Services, provided that such expenses are either specifically authorized in a Statement of Work or separately pre-approved by Smartsheet in writing. Contractor shall be responsible for all other costs incurred in connection with providing Services or conducting business, including but not limited to any city, county, state and federal licenses, permits, taxes and assessments, self-employment taxes, income taxes, and taxes imposed on amounts payable under this Agreement. Contractor shall indemnify, defend and hold harmless Smartsheet from and against any claim or action arising in connection with Contractor's failure to pay such costs and taxes.

2.3 <u>Invoices</u>. Contractor will invoice Smartsheet monthly for expenses due from the previous month, with each invoice to include or be accompanied by substantiating documentation for expenses as reasonably requested by Smartsheet. Unless otherwise set forth in an applicable Statement of Work, Smartsheet will pay Contractor all undisputed invoiced amounts within thirty (30) days after receipt of Contractor's invoice.

**3. <u>Confidentiality and Trading Restrictions</u>**

3.1 <u>Restrictions on Use and Disclosure of Confidential Information</u>. Contractor will hold all Confidential Information (as defined below) in strict confidence, and will not disclose, duplicate, publish, release, transfer or otherwise make available Confidential Information in any form to any person or entity without Smartsheet's express prior written consent. Contractor will not use the Confidential Information for any purpose other than to provide Services. "**Confidential Information**" means all information and materials not generally known outside of Smartsheet that are disclosed to or learned by Contractor. Confidential Information applies to information disclosed or learned in writing, electronically, orally, or by observation, before and after the Effective Date and whether or not during working hours. Confidential Information includes, without limitation: (a) Inventions (as defined in Section 4.1 below) and all notes, sketches, diagrams, and other written records related to Inventions, (b) technical data, trade secrets, know-how, research, ideas or plans for products and services, software code and designs, developments, inventions, laboratory notebooks, processes, formulas, techniques, and engineering designs and drawings, (c) price lists, pricing methodologies, cost data, market share data, marketing plans, licenses, contract information, business plans, financial forecasts, historical financial data, budgets or other business information, (d) information relating to Smartsheet's employees and consultants (including, but not limited to, the names, contact information, jobs, compensation, and expertise of such employees and consultants), (e) lists of, or information relating to, suppliers and customers of Smartsheet, and (f) the terms and conditions of this Agreement.

3.2 Other Responsibilities. If Contractor becomes aware of any compromise, loss, or disclosure of Smartsheet's Confidential Information, whether or not resulting from a breach of this Section, Contractor will immediately notify Smartsheet in writing and provide Smartsheet with all reasonably requested assistance in connection with addressing or mitigating such compromise or loss.

3.3 Return of Materials. On request and/or on termination of this Agreement for any reason, Contractor will return or destroy any and all physical materials containing or embodying Confidential Information to Smartsheet, according to Smartsheet's reasonable instructions. On Smartsheet's request, Contractor will certify in writing that all such Confidential Information has been so returned or destroyed.

3.4 Trading Restrictions. During the Service Period and until the commencement of the next open trading window (to be determined as set forth under Smartsheet's Insider Trading Policy) following the conclusion of the Service Period, Contractor shall remain subject to the same restrictions (including trade windows) that they were subject to as an Access Person under Smartsheet's Insider Trading Policy. Upon the commencement of Smartsheet's next open trading window following the conclusion of the Service Period, Contractor will no longer be subject to the Access Person trading restrictions, but will remain subject to all applicable federal securities laws (including those related to insider trading, opposite-way transactions, and affiliate sales).

**4. Ownership of Inventions**

4.1 Inventions. Subject to Section 4.2 below and except as explicitly otherwise agreed by the parties in the applicable Statement of Work, Smartsheet will own exclusively all right, title and interest in and to all developments, concepts, designs, ideas, know how, improvements, inventions, trade secrets, works of authorship, and materials that are conceived, discovered, written or created by Contractor, alone or jointly with Smartsheet or third parties, in connection with the Services, whether completed or works-in-progress ("**Inventions**"). All Inventions will be deemed "work made for hire" for Smartsheet for all purposes of copyright law. To the extent that any such Inventions do not fall within the specifically enumerated works that constitute works made for hire under United States copyright laws, and to the extent such Inventions include materials subject to copyright, patent, trade secret or other proprietary right protection, Contractor hereby irrevocably assigns to Smartsheet all right, title and interest that he or she may be deemed to have in and to the Inventions, including and all copyrights, patents, trade secrets and other proprietary rights therein (and renewals thereof). Contractor waives all claims for infringement that he or she may have in connection with such Inventions. Contractor agrees to provide all assistance reasonably requested by Smartsheet to secure intellectual property or proprietary rights for Smartsheet in the Inventions.

4.2 Pre-Existing Inventions. "Inventions" do not include, and Contractor is not obligated to assign to Smartsheet, any pre-existing software, inventions, copyrights, patents, trade secrets, trademarks and other proprietary rights of Contractor that Contractor can document existed before the Effective Date and that are listed on Exhibit B to this Agreement (collectively, the "**Pre-Existing Inventions**"). Contractor hereby grants to Smartsheet a non-exclusive, worldwide, perpetual, irrevocable, fully paid, royalty-free license to use the Pre-Existing Inventions to the extent they are included in, or are necessary to use and exploit, deliverables provided as part of the Services.

4.3 Third Party Materials. Contractor will not include any materials created by third parties in Inventions unless Contractor has all necessary rights, licenses, consents, releases and/or permissions to do so. To the extent third party materials are included in Inventions, Contractor will ensure that Smrtsheet has an irrevocable, royalty free license to use such materials as necessary to use and exploit the Inventions for any purpose.

**5. Term and Termination**

5.1 Term. The term of this Agreement will begin on the Effective Date and will continue in effect until the end of the Service Period, unless earlier terminated in accordance with this Section. This Agreement may be renewed or extended if mutually agreed by the parties in writing.

5.2 Termination. Either party may terminate this Agreement upon one (1) day's notice, for the other party's uncured breach of any material provision of this Agreement. If the breaching party fails to cure its breach within the notice period, the Agreement will automatically terminate without any requirement of further notice. Additionally, Smartsheet may terminate this Agreement with one (1) day's notice in the event that Contractor commences full-time employment with a third party or there is a public announcement regarding Contractor accepting a full-time position with a third party.

5.3 Survival. The terms and conditions of this Agreement that by their sense and context are intended to survive termination will survive, including the following Sections: 1.2, 3, 4, 5.3, 6, and 8 through 10.

**6. Non-Solicitation of Customers.** During the term of this Agreement and for a period of twelve (12) months thereafter, Contractor will not use any Confidential Information of Smartsheet to (a) dissuade or negatively influence any of Smartsheet's customers or clients from purchasing Smartsheet products or services, or (b) attempt to solicit or influence any customer, client or person, directly or indirectly, to direct any purchase of products or services to any person, firm, corporation or institution that is in competition with the business or proposed business of Smartsheet.

**7. Network Security; Use of Smartsheet Systems**. To the extent that Contractor has physical or electronic access to Smartsheet's computer network or systems, Contractor will comply with all network access and security requirements communicated by Smartsheet to Contractor from time to time. Contractor recognizes and agrees that he or she has no expectation of privacy with respect to use of Smartsheet's telecommunications, networking, or information processing systems (including without limitation stored computer files, email messages and voice messages) and that Contractor's activity, and any files or messages, on those systems may be monitored by Smartsheet.

**8. Representations and Warranties**. Contractor represents and warrants to Smartsheet that: (a) Contractor's performance of his, her or its obligations under this Agreement will not breach any agreement between Contractor and a third party (including without limitation any confidentiality obligation); (b) Contractor will comply with all applicable laws, rules, regulations and orders of any governmental authority in performing obligations under this Agreement; (c) Contractor will provide the Services in a competent and professional manner in accordance with industry standards; and (d) neither the Services and/or the Inventions, nor the use of the Services and/or Inventions by Smartsheet in accordance with the applicable Statement of Work, will infringe or misappropriate any third party's intellectual property or proprietary rights.

**9. Indemnification**. Contractor will indemnify, defend and hold harmless Smartsheet and its directors, employees and agents from and against any and all damages, liabilities, penalties, fines, losses, costs and expenses, including reasonable attorneys' fees, arising from or relating to (i) any claim for wages or benefits and/or related taxes against Smartsheet by Contractor or any subcontractor of Contractor, (ii) the gross negligence or willful misconduct of Contractor, or (iii) any third party claim that arises out of Contractor's breach of any representations, warranties or obligations under this Agreement.

**10. Miscellaneous**

10.1 Governing Law and Waiver of Jury Trial. This Agreement is governed by the laws of the State of Washington, excluding its conflicts of law rules. Exclusive venue for any action hereunder will lie in the state and federal courts located in Seattle, King County, Washington, and both parties hereby submit to the jurisdiction of such courts.

10.2. Assignment and Subcontracting. Contractor may not assign or transfer this Agreement, in whole or in part, or subcontract any rights or obligations under this Agreement, without Smartsheet's prior written consent. Any assignment in contravention of this provision will be null and void. This Agreement will be binding on all permitted assignees and successors in interest, and Contractor will be responsible for the acts or omissions of any subcontractors who provide Services on its behalf (whether or not authorized by Smartsheet in accordance with this Section 10.2).

10.3 Entire Agreement/Amendments. This Agreement, including each Statement of Work and all other exhibits that are incorporated herein by reference, contains the entire agreement of the parties regarding the subject matter described herein, and all other promises, representations, understandings, arrangements and prior agreements related thereto, including but not limited to that Change In Control Severance Agreement entered into by and between the parties on November 12, 2021, are merged herein and superseded hereby (including any Contractor documentation that contains terms different from or in addition to this Agreement). The provisions of this Agreement may not be amended except by an agreement in writing signed by both parties.

10.4 Notices. Except as may be otherwise set forth herein, all notices, requests, demands and other communications under this Agreement will be in writing and will be deemed to have been duly given: (i) on the next day if delivered personally or via courier to such party; (ii) on the date three (3) days after mailing if mailed by registered or certified mail; or (iii) on the same day if delivered by email. Unless delivered via email, all notices will be sent to the applicable address for a party first set forth above and, in the case of Smartsheet, to the attention of “Legal.” If delivered via email, notices to Smartsheet will be sent to [**REDACTED**] and notices to Contractor will be sent to [**REDACTED**]. Addresses may be changed by notice given by one party to the other pursuant to this Section or by other form of notice agreed to by the parties.

10.5 Severability. If any provision of this Agreement is invalid or unenforceable in any jurisdiction, the other provisions herein will remain in full force and effect in such jurisdiction and will be liberally construed to effectuate the purpose and intent of this Agreement, and the invalidity or unenforceability of any provision of this Agreement in any jurisdiction will not affect the validity or enforceability of any such provision in any other jurisdiction.

10.6 Waiver of Breach. The waiver of any breach of any provision of this Agreement will be effective only if in writing. No such waiver will operate or be construed as a waiver of any subsequent breach.

10.7 Interpretation. As used in this Agreement, including Statements of Work, the use of the term “including” is illustrative and not limiting.

10.8 Order of Precedence. To the extent the terms and conditions of this Agreement conflict with the terms set forth in each Statement of Work, this Agreement will control.

10.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original, but all of which together will be considered one and the same agreement.

The parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

**SMARTSHEET INC.**

By: /s Mark Mader

Name: Mark Mader

Title: President & Chief Executive Officer

Date: September 17, 2024

**STEPHEN BRANSTETTER**

By: /s Stephen Branstetter

Date: September 17, 2024

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

I, Mark P. Mader, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

By: /s/ Mark P. Mader

Mark P. Mader

President and Chief Executive Officer

(Principal Executive Officer)

Date: December 5, 2024

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

I, Pete Godbole, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

By: /s/ Pete Godbole

Pete Godbole

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

ıte: December 5, 2024

**CERTIFICATION 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 Smartsheet Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended October 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark P. Mader, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mark P. Mader
Mark P. Mader
President and Chief Executive Officer
(Principal Executive Officer)

Date: December 5, 2024

**CERTIFICATION 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 Smartsheet Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended October 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Pete Godbole, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Pete Godbole
Pete Godbole
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: December 5, 2024