

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-40252

DigitalOcean Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

45-5207470

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

101 6th Avenue

New York, New York 10013

(Address of principal executive offices and Zip Code)

(646) 827-4366

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value \$0.000025 per share	DOCN	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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of April 28, 2022, there were 106,060,494 shares of the registrant's common stock, with a par value of \$0.000025 per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, expenses and other operating results;
- our ability to achieve profitability on an annual basis and then sustain such profitability;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- our ability to acquire new customers and successfully engage and expand usage of our existing customers;
- the costs and success of our marketing efforts, and our ability to promote our brand;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our ability to effectively manage our growth;
- our ability to compete effectively with existing competitors and new market entrants; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q, as well as Item 1A—Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

We may announce material business and financial information to our investors using our investor relations website (<https://investors.digitalocean.com/>). We therefore encourage investors and others interested in our company to review the information that we make available on our website, in addition to following our filings with the Securities and Exchange Commission, webcasts, press releases and conference calls.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DIGITALOCEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(unaudited)

	March 31, 2022	December 31, 2021
Current assets:		
Cash and cash equivalents	\$ 464,836	\$ 1,713,387
Marketable securities	1,090,370	—
Accounts receivable, less allowance for doubtful accounts of \$ 5,155 and \$ 4,212, respectively	42,527	39,619
Prepaid expenses and other current assets	14,171	17,050
Total current assets	1,611,904	1,770,056
Property and equipment, net	259,385	249,643
Restricted cash	2,038	2,038
Goodwill	32,170	32,170
Intangible assets, net	46,453	42,915
Deferred tax assets	89	88
Other assets	4,789	4,085
Total assets	\$ 1,956,828	\$ 2,100,995
Current liabilities:		
Accounts payable	16,329	12,657
Accrued other expenses	25,627	31,907
Deferred revenue	5,248	4,826
Other current liabilities	15,247	8,849
Total current liabilities	\$ 62,451	\$ 58,239
Deferred tax liabilities	421	421
Long-term debt	1,464,525	1,462,676
Other long-term liabilities	1,600	1,462
Total liabilities	\$ 1,528,997	\$ 1,522,798
Commitments and Contingencies (Note 8)		
Preferred stock (\$0.000025 par value per share; 10,000,000 shares authorized; 0 shares issued and outstanding as of March 31, 2022 and December 31, 2021)	\$ —	\$ —
Common stock (\$0.000025 par value per share; 750,000,000 shares authorized; 107,956,057 and 109,175,863 issued; and 105,987,829 and 107,207,635 outstanding as of March 31, 2022 and December 31, 2021, respectively)	2	2
Treasury stock, at cost (1,968,228 shares at March 31, 2022 and December 31, 2021)	(4,598)	(4,598)
Additional paid-in capital	639,388	769,705
Accumulated other comprehensive loss	(2,300)	(374)
Accumulated deficit	(204,661)	(186,538)
Total stockholders' equity	\$ 427,831	\$ 578,197
Total liabilities and stockholders' equity	\$ 1,956,828	\$ 2,100,995

See accompanying notes to condensed consolidated financial statements

DIGITALOCEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Revenue	\$ 127,327	\$ 93,661
Cost of revenue	46,757	39,544
Gross profit	80,570	54,117
Operating expenses:		
Research and development	37,241	22,402
Sales and marketing	19,044	10,421
General and administrative	37,424	18,040
Total operating expenses	93,709	50,863
(Loss) income from operations	(13,139)	3,254
Other (income) expense:		
Interest expense	2,059	2,256
Loss on extinguishment of debt	407	3,435
Other (income) expense, net	(820)	(94)
Other (income) expense	1,646	5,597
Loss before income taxes	(14,785)	(2,343)
Income tax expense	3,338	996
Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.17)	\$ (0.07)
Weighted-average shares used to compute net loss per share, basic and diluted	106,980	49,432

See accompanying notes to condensed consolidated financial statements

DIGITALOCEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2022	2021
Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Other comprehensive loss:		
Foreign currency translation adjustments, net of taxes	(18)	12
Unrealized loss on available-for-sale marketable securities, net of taxes	(1,908)	—
Comprehensive loss	<u>\$ (20,049)</u>	<u>\$ (3,327)</u>

See accompanying notes to condensed consolidated financial statements

DIGITALOCEAN HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share amounts)

(unaudited)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehen- sive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	109,175,863	\$ 2	(1,968,228)	\$ (4,598)	\$ 769,705	\$ (374)	\$ (186,538)	\$ 578,197
Issuance of common stock under equity incentive plan, net of taxes withheld	1,357,665	—	—	—	(6,709)	—	—	(6,709)
Repurchase and retirement of common stock	(2,577,471)	—	—	—	(150,000)	—	—	(150,000)
Stock-based compensation	—	—	—	—	26,392	—	—	26,392
Other comprehensive loss	—	—	—	—	—	(1,926)	—	(1,926)
Net loss attributable to common stockholders	—	—	—	—	—	—	(18,123)	(18,123)
Balance at March 31, 2022	107,956,057	\$ 2	(1,968,228)	\$ (4,598)	\$ 639,388	\$ (2,300)	\$ (204,661)	\$ 427,831

	Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehen- sive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	45,472,229	\$ 173,074	45,299,339	\$ 1	(1,968,228)	\$ (4,598)	\$ 99,783	\$ (245)	\$ (167,035)	\$ (72,094)
Issuance of common stock under equity incentive plan, net of taxes withheld	—	—	1,033,806	—	—	—	3,740	—	—	3,740
Stock-based compensation	—	—	—	—	—	—	6,685	—	—	6,685
Issuance of common stock in connection with initial public offering, net of underwriting discounts and issuance costs	—	—	16,500,000	1	—	—	723,125	—	—	723,126
Conversion of convertible preferred stock to common stock in connection with initial public offering	(45,472,229)	(173,074)	45,472,229	—	—	—	173,074	—	—	173,074
Conversion of redeemable preferred stock warrants to common stock warrants	—	—	—	—	—	—	13,906	—	—	13,906
Other comprehensive loss	—	—	—	—	—	—	—	12	—	12
Net loss attributable to common stockholders	—	—	—	—	—	—	—	—	(3,339)	(3,339)
Balance at March 31, 2021	—	\$ —	108,305,374	\$ 2	(1,968,228)	\$ (4,598)	\$1,020,313	\$ (233)	\$ (170,374)	\$ 845,110

See accompanying notes to condensed consolidated financial statements

DIGITALOCEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2022	2021
Operating activities		
Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	23,933	20,951
Stock-based compensation	25,981	6,624
Bad debt expense	4,023	1,607
Loss on extinguishment of debt	407	3,435
Net accretion of discounts and amortization on available-for-sale securities	(117)	—
Non-cash interest expense	1,959	205
Revaluation of warrants	—	(556)
Other	623	(335)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(6,931)	(3,749)
Prepaid expenses and other current assets	2,878	2,554
Accounts payable and accrued expenses	(10,535)	(7,413)
Deferred revenue	422	48
Other assets and liabilities	5,763	(241)
Net cash provided by operating activities	30,283	19,791
Investing activities		
Capital expenditures - property and equipment	(22,976)	(22,398)
Capital expenditures - internal-use software development	(2,276)	(1,370)
Cash paid for asset acquisition	(4,000)	—
Purchase of available-for-sale securities	(1,091,279)	—
Purchased interest on available-for-sale securities	(1,530)	—
Proceeds from interest on available-for-sale securities	649	—
Proceeds from sale of equipment	457	81
Net cash used in investing activities	(1,120,955)	(23,687)
Financing activities		
Repayment of notes payable	—	(33,213)
Repayment of term loan	—	(166,814)
Repayment of borrowings under revolving credit facility	—	(63,200)
Payment of debt issuance costs	(921)	—
Proceeds related to the issuance of common stock under equity incentive plan	5,426	3,740
Employee payroll taxes paid related to net settlement of equity awards	(12,384)	—
Proceeds from initial public offering, net of underwriting discounts and commissions and other offering costs	—	723,125
Repurchase and retirement of common stock	(150,000)	—
Net cash (used in) provided by financing activities	(157,879)	463,638
(Decrease) increase in cash, cash equivalents and restricted cash	(1,248,551)	459,742

See accompanying notes to condensed consolidated financial statements

DIGITALOCEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Cash, cash equivalents and restricted cash - beginning of period		1,715,425		102,537
Cash, cash equivalents and restricted cash - end of period	\$	466,874	\$	562,279
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$	92	\$	2,000
Cash paid for taxes (net of refunds)		1,003		463
Non-cash investing and financing activities:				
Capitalized stock-based compensation	\$	411	\$	62
Property and equipment received but not yet paid, included in Accounts payable and Accrued other expenses		20,846		18,473
Costs related to initial public offering included in accounts payable and accrued liabilities		—		428
Debt issuance costs included in accounts payable and accrued liabilities		297		—

See accompanying notes to condensed consolidated financial statements

DIGITALOCEAN HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

Note 1. Nature of the Business and Organization

DigitalOcean Holdings, Inc. and its subsidiaries (collectively, the "Company", "we", "our", "us") is a leading cloud computing platform offering on-demand infrastructure and platform tools for developers, start-ups and small-to-medium size businesses. The Company was founded with the guiding principle that the transformative benefits of the cloud should be easy to leverage, broadly accessible, reliable and affordable. The Company's platform simplifies cloud computing, enabling its customers to rapidly accelerate innovation and increase their productivity and agility. The Company offers mission-critical infrastructure solutions across compute, storage and networking, and also enables developers to extend the native capabilities of the Company's cloud with fully managed application, container and database offerings.

The Company has adopted a holding company structure and the primary operations are performed globally through our wholly-owned operating subsidiaries.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include accounts of the Company and all wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company's financial position as of March 31, 2022, results of operations for the three months ended March 31, 2022 and 2021, cash flows for the three months ended March 31, 2022 and 2021, and stockholders' equity for the three months ended March 31, 2022 and 2021.

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with U.S. GAAP requires management to make, on an ongoing basis, estimates, judgments and assumptions that affect the amounts reported and disclosed in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Such estimates include, but are not limited to, those related to revenue recognition and allowance for doubtful accounts, useful lives and realizability of long-lived assets, capitalized internal-use software development costs, accounting for stock-based compensation, valuation allowances against deferred tax assets, fair value of marketable securities, the fair value and useful lives of tangible and intangible assets acquired and liabilities assumed resulting from business combinations. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Restricted Cash

Restricted cash includes deposits in financial institutions related to letters of credit used to secure lease agreements. The following table reconciles cash, cash equivalents and restricted cash per the Condensed Consolidated Statements of Cash Flows:

	March 31,	
	2022	2021
Cash and cash equivalents	\$ 464,836	\$ 560,053
Restricted cash	2,038	2,226
Total cash, cash equivalents and restricted cash	\$ 466,874	\$ 562,279

Marketable Securities

The Company's marketable securities consist of commercial paper, U.S. treasury securities and commercial debt securities. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, the Company classifies its marketable securities within Current assets on the Condensed Consolidated Balance Sheets.

Available-for-sale securities are recorded at fair value each reporting period. Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective interest method. Interest income is recognized when earned. Unrealized gains and losses on these marketable securities are presented net of tax and reported as a separate component of Accumulated other comprehensive loss until realized. Realized gains and losses are determined based on the specific identification method and are reported in Other (income) expense, net in the Condensed Consolidated Statements of Operations.

The Company periodically evaluates its marketable securities to assess whether an investment's fair value is less than its amortized cost basis and if the decline in the fair value is attributable to a credit loss. Declines in fair value judged to be related to credit loss are reported in Other (income) expense, net in the Condensed Consolidated Statements of Operations.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily represents revenue recognized that was not invoiced at the balance sheet date and is primarily billed and collected in the following month. Trade accounts receivable are carried at the original invoiced amount less an estimated allowance for doubtful accounts based on the probability of future collection. Management determines the adequacy of the allowance based on historical loss patterns, the number of days that customer invoices are past due and an evaluation of the potential risk of loss associated with specific accounts. When management becomes aware of circumstances that may further decrease the likelihood of collection, it records a specific allowance against amounts due, which reduces the receivable to the amount that management reasonably believes will be collected. The Company records changes in the estimate to the allowance for doubtful accounts through bad debt expense and reverses the allowance after the potential for recovery is considered remote.

The following table presents the changes in our allowance for doubtful accounts for the period presented:

	Amount	
Balance as of December 31, 2021	\$	4,212
Bad debt expense, net of recoveries		4,023
Write-offs		(3,080)
Balance as of March 31, 2022	\$	5,155

Deferred Revenue

Deferred revenue was \$5,248 and \$4,826 as of March 31, 2022 and December 31, 2021, respectively. Revenue recognized during the three months ended March 31, 2022 and 2021 was \$1,735 and \$1,725, respectively, which was included in each deferred revenue balance at the beginning of each respective period.

Asset Acquisition

The Company applies the principles provided in ASC 805, Business Combinations ("ASC 805") to determine whether a transaction involves an asset or a business. If it is determined an acquisition is an asset acquisition, the purchase consideration (which will include certain transaction costs) is allocated to the acquired assets and liabilities based on their relative fair values.

In March 2022, the Company acquired the assets of the CSS Tricks website ("CSS Tricks") from Midwest Coast Studios LLC for total purchase consideration of \$4,000. The intangible assets will be amortized over 3 to 5 years.

Segment Information

The Company's chief operating decision maker, the chief executive officer, reviews discrete financial information presented on a consolidated basis for purposes of regularly making operating decisions, allocation of resources, and assessing financial performance. Accordingly, the Company has one operating and reporting segment.

Geographical Information

Revenue, as determined based on the billing address of the Company's customers, was as follows:

	Three Months Ended March 31,			
	2022		2021	
North America	38	%	38	%
Europe	29		29	
Asia	23		23	
Other	10		10	
Total	100	%	100	%

Revenue derived from customers in the United States was 31% of total revenue for the periods ended March 31, 2022 and 2021.

No country outside of the United States had revenue greater than 10% of total consolidated revenue in any period presented.

Property and equipment located in the United States was 50% as of March 31, 2022 and December 31, 2021, respectively, with the remainder of net assets residing in international locations, primarily in the Netherlands, Singapore and Germany.

Concentration of Credit Risk

The amounts reflected in the Condensed Consolidated Balance Sheets for cash and cash equivalents, restricted cash, and trade accounts receivable are exposed to concentrations of credit risk. Although the Company maintains cash and cash equivalents with multiple financial institutions, the deposits, at times, may exceed federally insured limits. The Company believes that the financial institutions that hold its cash and cash equivalents are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

The Company's customer base consists of a significant number of geographically dispersed customers. No customer represented 10% or more of accounts receivable, net as of March 31, 2022 and December 31, 2021. Additionally, no customer accounted for 10% or more of total revenue during the three months ended March 31, 2022 and 2021.

Sublease

Lease termination costs consist of expenses related to future rent payments for which the Company no longer intends to receive any economic benefit. A sublease liability is recorded when the Company ceases to use leased space, which is included as Other current liabilities and Other noncurrent liabilities on the Condensed Consolidated Balance Sheets. Lease termination costs are calculated as the present value of lease payments, net of expected sublease income, and the loss on disposition of assets. The sublease loss is included in General and administrative on the Condensed Consolidated Statements of Operations.

Recent Accounting Pronouncements – Pending Adoption

The following effective dates represent the requirements for private companies which the Company has elected as an emerging growth company.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, Leases (Topic 842), and additional changes, modifications, clarifications, or interpretations related to this guidance thereafter ("ASU 2016-02"). ASU 2016-02 requires a reporting entity to recognize right-of-use assets and lease liabilities on the balance sheet for operating leases to increase transparency and comparability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022 with early adoption permitted. The Company expects to elect the package of transition practical expedients, which allows it to carry forward its historical assessment of (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. In addition, the Company expects to elect the practical expedient that allows lessees the option to account for lease and non-lease components together as a single component for all classes of underlying assets.

The Company has made substantial progress in executing its implementation plan. It is in the process of revising its controls and processes to address the lease standard and has substantially completed the implementation and data input for the lease accounting software tool that it will use post-adoption. ASU 2016-02 also requires expanded disclosure regarding the amounts, timing and uncertainties of cash flows related to a company's lease portfolio. The Company is evaluating these disclosure requirements and is incorporating the collection of relevant data into its existing financial reporting processes. While the Company expects the adoption of this standard to result in an increase to the reported assets and liabilities, the Company is currently evaluating the impact of adoption on the condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, with subsequent amendments, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires immediate recognition of management's estimates of current expected credit losses. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and interim periods within annual periods beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of adoption on the condensed consolidated financial statements.

Recent Accounting Pronouncements – Adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). ASU 2019-12 eliminates certain exceptions in FASB Topic 740: Income Taxes ("ASC 740") related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted the new standard and there was an immaterial impact to the condensed consolidated financial statements and related disclosures.

Note 3. Marketable Securities

The following is a summary of available-for-sale marketable securities, excluding those securities classified within cash and cash equivalents, on the Condensed Consolidated Balance Sheets as of March 31, 2022. The Company did not hold any available-for-sale marketable securities as of December 31, 2021.

	March 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	\$ 720,546	\$ —	\$ (1,231)	\$ 719,315
Corporate debt securities	35,145	—	(70)	35,075
Commercial paper	336,582	1	(603)	335,980
Total Marketable securities	<u>\$ 1,092,273</u>	<u>\$ 1</u>	<u>\$ (1,904)</u>	<u>\$ 1,090,370</u>

As of March 31, 2022, all of the Company's available-for-sale short-term investments were due within one year.

The Company does not believe that any unrealized losses are attributable to credit-related factors based on its evaluation of available evidence. To determine whether a decline in value is related to credit loss, the Company evaluates, among other factors: the extent to which the fair value is less than the amortized cost basis, changes to the rating of the security by a rating agency and any adverse conditions specifically related to an issuer of a security or its industry. Unrealized gains and losses on marketable securities are presented net of tax.

Note 4. Fair Value Measurements

The fair value of our financial assets measured on a recurring basis is as follows:

	March 31, 2022		
	Level I	Level II	Total
Cash and cash equivalents:			
Cash	\$ 376,909	\$ —	\$ 376,909
Money market funds	7,967	—	7,967
Commercial paper	—	79,960	79,960
Total Cash and cash equivalents	\$ 384,876	\$ 79,960	\$ 464,836
Marketable securities:			
U.S. treasury securities	\$ 719,315	\$ —	\$ 719,315
Corporate debt securities	—	35,075	35,075
Commercial paper	—	335,980	335,980
Total Marketable securities	\$ 719,315	\$ 371,055	\$ 1,090,370
	December 31, 2021		
	Level I	Level II	Total
Cash and cash equivalents:			
Cash	\$ 1,093,425	\$ —	\$ 1,093,425
Commercial paper	—	269,945	269,945
Certificate of deposits	—	350,017	350,017
Total Cash and cash equivalents	\$ 1,093,425	\$ 619,962	\$ 1,713,387

The Company classifies its highly liquid money market funds and U.S. treasury securities within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its commercial paper, corporate debt securities and certificates of deposit within Level 2 because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security which may not be actively traded. The Company had no level 3 financial assets as of March 31, 2022 and December 31, 2021.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company reports financial instruments at fair value, with the exception of the 0% Convertible Senior Notes due December 1, 2026 ("Convertible Notes"). Financial instruments that are not recorded at fair value on a recurring basis are measured at fair value on a quarterly basis for disclosure purposes. The carrying values and estimated fair values of financial instruments not recorded at fair value are as follows:

	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible Notes	\$ 1,464,525	\$ 1,197,825	\$ 1,462,676	\$ 1,462,676

The carrying value of the Convertible Notes as of March 31, 2022 and December 31, 2021 was net of unamortized debt issuance costs of \$ 35,475 and \$37,324, respectively.

The total fair value of the Convertible Notes was determined based on the closing trading price as of the last day of trading for the period. The Company considers the fair value to be a Level 2 valuation due to the limited trading activity.

Note 5. Balance Sheet Details

Property and equipment, net

Property and equipment, net consisted of the following:

	March 31, 2022	December 31, 2021
Computers and equipment	\$ 515,557	\$ 487,484
Furniture and fixtures	1,511	1,511
Leasehold improvements	6,820	6,820
Internal-use software	70,889	68,321
Property and equipment, gross	\$ 594,777	\$ 564,136
Less: accumulated amortization	\$ (52,413)	\$ (49,268)
Less: accumulated depreciation	(282,979)	(265,225)
Property and equipment, net	\$ 259,385	\$ 249,643

Depreciation expense on property and equipment for the three months ended March 31, 2022 and 2021 was \$ 20,326 and \$17,219, respectively.

The Company capitalized costs related to the development of computer software for internal use of \$ 2,687 and \$1,432 for the three months ended March 31, 2022 and 2021, respectively, which is included in internal-use software costs within Property and equipment, net. Amortization expense related to internal-use software for the three months ended March 31, 2022 and 2021 was \$3,145 and \$3,657, respectively.

During the three months ended March 31, 2022, the Company recorded an impairment loss of \$ 120 related to software that is no longer being used. There was no such impairment loss recorded for the three months ended March 31, 2021. This impairment loss is included in Cost of revenue and Research and development on the Consolidated Statements of Operations.

Note 6. Debt

Credit Facility

In February and March 2020, the Company entered into and subsequently amended a second amended and restated credit agreement with KeyBank National Association as administrative agent. In November 2021, the Company further amended such credit agreement to revise certain covenants that restricted the incurrence of indebtedness to permit the issuance of the convertible notes discussed below. In March 2022, the Company entered into a third amended and restated credit agreement (the "Credit Facility") to, among other modifications, (i) remove the term loan component of the existing credit facility, which had been previously repaid in full; (ii) increase the maximum borrowing limit of the revolving credit facility from \$150,000 to \$250,000; (iii) extend the maturity date; (iv) replace the existing maximum total net leverage ratio financial covenant with a maximum senior secured net leverage ratio financial covenant; (v) eliminate the financial covenant requirement of maintaining a minimum debt service coverage ratio; (vi) reduce the interest rates applicable to any principal amounts outstanding on the revolving credit facility as well as the annual commitment fee for unused amounts on the revolving credit facility; and (vii) replace the benchmark reference rate for U.S. Dollar loans from LIBOR to the forward-looking term rate based on the secured overnight financing rate plus a customary adjustment ("Adjusted Term SOFR").

At March 31, 2022, the Company had available borrowing capacity of \$ 250,000 on the Credit Facility. The Credit Facility will mature on the earlier of (a) March 29, 2027 and (b) 90 days before the maturity date applicable to any outstanding convertible notes issued by the Company in an aggregate principal amount equal to or greater than \$100 million.

The Credit Facility is secured by a first-priority security interest in substantially all of the assets of the Company. The Credit Facility contains certain financial and operational covenants, including a maximum senior secured net leverage ratio financial covenant of 3.50x. As of March 31, 2022, the Company was in compliance with all covenants under the Credit Facility.

The per annum interest rate applicable to any principal amounts outstanding under the Credit Facility for U.S. Dollar loans will be equal to (i) Adjusted Term SOFR plus (ii) an applicable margin varying from 1.25% to 2.00%, subject to a pricing grid based on the senior secured net leverage ratio. The Credit Facility provides for an annual commitment fee varying from 0.20% to 0.30%, also subject to a pricing grid based on the senior secured net leverage ratio, applied to the average daily unused amount of the revolving credit facility. The Company incurred commitment fees on the unused balance of the Credit Facility of \$95 and \$67 for the three months ended March 31, 2022 and 2021, respectively.

In connection with the Credit Facility, the Company incurred \$ 1,218 of additional debt issuance costs which, together with \$ 662 of the then unamortized financing fees, will be amortized over the remaining term of the facility. The Company recognized a loss on extinguishment of debt of \$407 for the three months ended March 31, 2022. The loss on extinguishment of debt represent a non-cash adjustment to reconcile net income to net cash provided by operating activities within the Condensed Consolidated Statements of Cash Flows.

Amortization of deferred financing fees for the three months ended March 31, 2022 and 2021 was \$ 92 and \$1,973, respectively.

Convertible Notes

In November 2021, the Company issued \$1,500,000 aggregate principal amount of Convertible Notes in a private offering, including the exercise in full of the over-allotment option granted to the initial purchasers of \$200,000. The Convertible Notes are senior unsecured obligations of the Company and do not bear regular interest, and the principal amount of the Convertible Notes does not accrete. The Convertible Notes will mature on December 1, 2026 unless earlier converted, redeemed, or repurchased. The net proceeds from this offering were \$1,461,795, after deducting underwriting fees, expenses and commissions. Amortization of deferred financing fees for the three months ended March 31, 2022 was \$1,868.

Each \$1,000 of principal of the Convertible Notes will initially be convertible into 5.6018 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$178.51 per share, subject to adjustment as set forth in the indenture governing the Convertible Notes. Holders of these Convertible Notes may convert their Convertible Notes at their option at any time prior to the close of the business day immediately preceding June 1, 2026, only under the following circumstances:

1. during any calendar quarter commencing after the calendar quarter ending on March 31, 2022, if the last reported sale price of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter on each applicable trading day;
2. during the five business day period after any ten consecutive trading day period (such ten consecutive trading day period, the "measurement period") in which the trading price of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the common stock on such trading day and the conversion rate on such trading day;
3. if the Company calls such Convertible Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date;
4. upon the occurrence of specified corporate events or distributions on the common stock.

On or after June 1, 2026 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Convertible Notes at the option of the holder regardless of the foregoing circumstances.

Upon conversion of the Convertible Notes, the Company will pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election. It is the Company's current intent to settle the principal amount of the Convertible Notes with common stock.

The Company may redeem for cash all or any portion of the Convertible Notes, at its option, on or after December 2, 2024 and on or before the 25th scheduled trading day immediately before the maturity date, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price then in effect on each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the trading day immediately preceding the date on which the Company provides a notice of redemption at a redemption

price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus any accrued and unpaid special interest and additional interest, if any, to, but excluding, the redemption date.

Upon the occurrence of a fundamental change (as defined in the indenture governing the Convertible Notes), subject to certain conditions, holders may require the Company to repurchase all or a portion of the Convertible Notes for cash at a price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus any accrued and unpaid special interest and additional interest, if any, to, but excluding, the fundamental change repurchase date.

Note 7. Operating Leases

The Company leases data center facilities and office space under generally non-cancelable operating lease agreements, which expire at various dates through 2027. Facility leases generally include renewal options and may include escalating rental payment provisions. Additionally, the leases may require us to pay a portion of the related operating expenses. Rent expense related to these operating leases for the three months ended March 31, 2022 and 2021 was \$12,409, and \$11,990, respectively.

In March 2022, the Company entered into a separate sublease agreement related to its New York office space. As defined within the lease and sublease agreements, the Company remains primarily liable to the landlord for the performance of all obligations in the event that the sublessee does not perform its obligations under the lease. As a result of the sublease arrangement, future minimum rental commitments under operating leases will be offset by sublease amounts to be paid by the sublessee. The Company recognized a loss on the sublease of \$788 for the three months ended March 31, 2022. The total of minimum sublease amounts to be received in the future under non-cancelable subleases is \$3,184 as of March 31, 2022.

Future minimum rental payments under operating lease agreements, which included renewals and modifications as of March 31, 2022, were as follows:

2022 (nine months remaining)	\$	36,432
2023		39,509
2024		40,166
2025		11,553
2026		8,610
Thereafter		2,435
Total minimum operating lease payments	\$	138,705

Note 8. Commitments and Contingencies

Purchase Commitments

As of March 31, 2022, the Company had long-term commitments for bandwidth usage with various networks and internet service providers and entered into purchase orders with various vendors. The Company's purchase commitments have not materially changed since December 31, 2021.

Letters of Credit

In conjunction with the execution of certain office space operating leases, letters of credit in the aggregate amount of \$ 2,038 were issued and outstanding as of March 31, 2022 and December 31, 2021. No draws have been made under such letters of credit. These funds are included as Restricted cash on the Condensed Consolidated Balance Sheets as they are related to long-term operating leases and are included in beginning and ending Cash, cash equivalents and restricted cash in the Condensed Consolidated Statements of Cash Flows. Certain of the letters of credit can be reduced on an annual basis until the end of 2022, at which point the deposit required will similarly reduce to meet minimum threshold requirements.

Legal Proceedings

The Company may be involved in various legal proceedings and litigation arising in the ordinary course of business. While it is not feasible to predict or determine the ultimate disposition of any such litigation matters, the Company believes that any such legal proceedings will not have a material adverse effect on its condensed consolidated financial position, results of operations, or liquidity.

Note 9. Stockholders' Equity

Common Stock

The Company's amended and restated certificate of incorporation authorizes the issuance of common and preferred stock. Holders of common stock are entitled to one vote per share.

As of March 31, 2022 and December 31, 2021, the Company was authorized to issue 750,000,000 shares of common stock with a par value of \$0.000025 per share.

Preferred Stock

In connection with the IPO, the Company's amended and restated certificate of incorporation became effective, which authorized the issuance of 10,000,000 shares of preferred stock with a par value of \$ 0.000025 per share with rights and preferences, including voting rights, designated from time to time by the Company's Board of Directors. No shares of preferred stock were issued or outstanding as of March 31, 2022 or December 31, 2021.

Share Buyback Program

On February 23, 2022, the Company's Board of Directors approved the repurchase of up to an aggregate of \$ 300,000 of the Company's common stock (the "Program"). Pursuant to the Program, repurchases of the Company's common stock will be made at prevailing market prices through open market purchases or in negotiated transactions off the market. The Program is authorized throughout fiscal year 2022; however, the Company is not obligated to acquire any particular amount of common stock and the Program may be extended, modified, suspended or discontinued at any time at the Company's discretion.

During the three months ended March 31, 2022 and since the commencement of the Program, the Company repurchased and retired 2,577,471 shares of common stock at an average price of \$58.20 per share for an aggregate purchase price of \$150,000. All purchased shares were retired and are reflected as a reduction of Common stock for the par value of shares, with the excess applied to Additional paid-in capital. As of March 31, 2022, the dollar value of shares that remained available to be purchased by the Company under the Program was \$150,000.

Treasury Stock

The Company records treasury stock at the cost to acquire shares and is included as a component of Stockholders' equity. At March 31, 2022 and December 31, 2021, the Company had 1,968,228 shares of treasury stock which were carried at its cost basis of \$ 4,598 on the Condensed Consolidated Balance Sheets.

Note 10. Stock-Based Compensation

Equity Incentive Plan

In March 2021, the Company's Board of Directors adopted, and the stockholders approved, the 2021 Equity Incentive Plan. The 2021 Equity Incentive Plan is a successor to and continuation of the 2013 Stock Plan. The 2021 Equity Incentive Plan became effective on the date of the IPO with no further grants being made under the 2013 Stock Plan, however, awards outstanding under our 2013 Stock Plan will continue to be governed by their existing terms. The 2021 Equity Incentive Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units awards ("RSUs"), performance awards, and other awards to employees, directors, and consultants up to an aggregate of 36,290,381 shares of common stock as of March 31, 2022. Shares issued pursuant to the exercise of these awards are transferable by the holder.

Stock Options

Stock options granted have a maximum term of ten years from the grant date, are exercisable upon vesting and vest over a period of four years. Stock option activity for the three months ended March 31, 2022 was as follows:

	Number of Options Outstanding	Weighted- Average Exercise Price	Weighted- Average Remaining Life in Years	Aggregate Intrinsic Value
Outstanding at January 1, 2022	12,434,159	\$ 7.19	7.64	\$ 909,494
Exercised	(997,561)	5.44		
Forfeited or cancelled	(201,916)	6.75		
Outstanding at March 31, 2022	11,234,682	7.35	7.39	567,373
Vested and exercisable at March 31, 2022	6,097,743	6.11	7.01	315,509
Vested and unvested expected to vest at March 31, 2022	9,889,941	\$ 7.01	7.31	\$ 502,800

The aggregate intrinsic value represents the difference between the fair value of common stock and the exercise price of outstanding in-the-money options. The aggregate intrinsic value of exercised options for the three months ended March 31, 2022 and 2021 was \$54,392 and \$39,650, respectively.

No options were granted during the three months ended March 31, 2022 and 2021. The aggregate estimated fair value of stock options granted to participants that vested during the three months ended March 31, 2022 and 2021 was \$4,698 and \$4,998, respectively.

As of March 31, 2022, there was \$25,853 of unrecognized stock-based compensation expense related to outstanding stock options granted that is expected to be recognized over a weighted-average period of 2.23 years.

RSUs

RSUs granted vest over four years. RSU activity for the three months ended March 31, 2022 was as follows:

	Shares	Weighted-Average Fair Value
Unvested balance at January 1, 2022	3,334,137	\$ 45.74
Granted	1,119,024	52.39
Vested	(454,639)	42.83
Forfeited or cancelled	(60,762)	45.26
Unvested balance at March 31, 2022	3,937,760	47.97
Vested and expected to vest at March 31, 2022	2,437,477	\$ 47.96

As of March 31, 2022, there was \$105,405 of unrecognized stock-based compensation expense related to outstanding RSUs granted that is expected to be recognized over a weighted-average period of 3.27 years.

PRSUs

The Company issued performance-based restricted stock units ("PRSUs") which will vest based on the achievement of each award's established performance targets. PRSU activity for the three months ended March 31, 2022 was as follows:

	Shares	Weighted-Average Fair Value
Unvested balance at January 1, 2022	578,949	\$ 48.04
Granted	436,387	60.72
Vested	(103,059)	41.24
Forfeited or cancelled	(30,497)	41.24
Adjusted by performance factor	(89,769)	41.24
Unvested balance at March 31, 2022	792,011	\$ 56.94

At the end of each reporting period, the Company will adjust compensation expense for the PRSUs based on its best estimate of attainment of the below specified performance metrics. The cumulative effect on current and prior periods of a change in the estimated number of PRSUs that are expected to be earned during the performance period will be recognized as an adjustment to earnings in the period of the revision.

Compensation cost in connection with the probable number of shares that will vest will be recognized using the accelerated attribution method. As of March 31, 2022, the Company determined that it was probable that the LTIP PRSUs and the other PRSU awards would vest, resulting in \$14,606 of unrecognized stock-based compensation that is expected to be recognized over a weighted-average period of 1.5 years.

LTIP PRSUs

The Company grants LTIP PRSUs to certain executives of the Company during the first fiscal quarter. A percentage of the LTIP PRSUs will become eligible to vest based on the Company's financial performance level at the end of each fiscal year. The financial performance level is determined as the percentage equal to the sum of the revenue growth percentage and profitability percentage.

The number of LTIP PRSUs received will depend on the achievement of financial metrics relative to the approved performance targets. Depending on the actual financial metrics achieved relative to the target financial metrics throughout the defined performance period of the award, the number of LTIP PRSUs that vest could range from 0% to 200% of the target amount, and are subject to the Board of Director's approval of the level of achievement against the approved performance targets.

Assuming the minimum performance target is achieved, one-third of the aggregate number of the LTIP PRSUs shall vest on the later of (i) March 1 or (ii) two trading days following the public release of the Company's financial results, and the remainder shall vest in eight equal quarterly installments subject, in each case, to the individual's continuous service through the applicable vesting.

On February 24, 2022, the financial performance of the LTIP PRSUs granted in 2021 was determined to be achieved at 155% of the target amount. This resulted in a performance factor reduction of 89,769 shares from the original maximum shares achievable of 398,949. On March 1, 2022, 103,059 shares vested. With respect to the LTIP award granted in 2021, as of March 31, 2022, there were 30,497 shares that had been forfeited and the remaining 175,624 shares will vest quarterly through March 1, 2024.

On March 1, 2022, the Company granted an LTIP PRSU award with a maximum shares achievable of 436,387, subject to the above actual financial metrics achieved relative to the target financial metrics for fiscal year 2022.

Other PRSUs

In addition to the above awards, certain other PRSUs have been awarded subject to other various performance measures including the achievement of revenue targets and product launches.

MRSUs

On July 27, 2021, the Company's Board of Directors granted a market-based restricted stock unit ("MRSU") award for 3,000,000 shares of the Company's common stock to the Company's Chief Executive Officer, Yancey Spruill, which will vest upon the satisfaction of certain service conditions and the achievement of certain Company stock price goals, as described below.

The MRSU, which is estimated to have a grant date fair value of approximately \$ 75,300 derived by using a discrete model based on multiple stock price-paths developed through the use of a Monte Carlo simulation, is divided into five tranches that will be earned based on the achievement of stock price goals, measured based on the average of the Company's closing stock price over a consecutive ninety (90) trading day period during the performance period as set forth in the table below.

Tranche	Company Stock Price Target	Number of Eligible MRSUs
1	\$93.50	475,000
2	\$140.00	575,000
3	\$187.00	650,000
4	\$233.50	650,000
5	\$280.50	650,000

To the extent earned based on the stock price targets set forth above, the MRSU will vest over a seven-year period beginning on the date of grant in annual amounts equal to 14%, 14%, 14%, 14%, 14%, 15% and 15%, respectively, on each anniversary of the date of grant.

MRSU activity for the three months ended March 31, 2022 was as follows:

	Shares	Weighted-Average Fair Value
Unvested balance at January 1, 2022	3,000,000	\$ 25.12
Granted	—	—
Unvested balance at March 31, 2022	3,000,000	\$ 25.12

As of March 31, 2022, there was \$63,540 of unrecognized stock-based compensation related to the MRSUs granted that is expected to be recognized over a weighted-average period of 4.17 years.

ESPP

In March 2021, the Company's Board of Directors adopted, and the stockholders approved, the 2021 Employee Stock Purchase Plan ("ESPP"). The ESPP provides for the grant of up to an aggregate of 3,272,076 shares of common stock as of March 31, 2022.

The initial offering period commenced on the IPO date and consists of two purchase periods, the first of which had a purchase date of November 19, 2021 and the second and final purchase period will have a purchase date of May 20, 2022. After the end of the initial offering period, a new offering will automatically begin on the date that immediately follows the conclusion of the preceding offering. Eligible employees enroll in the offering period at the start of each purchase period, whereby they may purchase a number of shares at a price per share equal to 85% of the lesser of (1) the stock price at the employee's first participation in the offering period or (2) the fair market value of the Company's common stock on the purchase date.

There were 117,996 shares purchased by employees during the year ended December 31, 2021, net of shares withheld for taxes. As of March 31, 2022, 3,154,080 shares of common stock remain available for issuance under the ESPP.

The Company recorded stock-based compensation under this plan of \$ 1,361 for the three months ended March 31, 2022. No stock-based compensation was recorded for the three months ended March 31, 2021. As of March 31, 2022, \$4,230 has been withheld on behalf of employees.

Restricted Shares

In connection with our acquisition of Nimbella, we issued 200,204 shares of restricted stock for \$63.11 per share for a total value of \$ 12,635 to the founders of Nimbella. These shares vest equally on March 1, 2023 and September 1, 2024 and are expensed on a straight line basis over 36 months. The restricted stock is subject to forfeiture and dependent upon each founder's continuous service on the vesting date. Total stock-based compensation for the three months ended March 31, 2022 was \$1,053. No stock compensation was recorded for the three months ended March 31, 2021. As of March 31, 2022, there was \$10,191 of unrecognized stock-based compensation related to outstanding restricted shares granted that is expected to be recognized over a weighted-average period of 2.45 years.

Stock-Based Compensation

Stock-based compensation was included in the Condensed Consolidated Statements of Operations as follows:

	Three Months Ended March 31,	
	2022	2021
Cost of revenue	\$ 432	\$ 196
Research and development	9,720	2,636
Sales and marketing	3,346	1,137
General and administrative	12,483	2,655
Total	\$ 25,981	\$ 6,624

Note 11. Net Loss per Share Attributable to Common Stockholders

The following table presents the calculation of basic and diluted net loss per share:

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Denominator:		
Weighted average shares, in thousands, used to compute net loss per share, basic and diluted	106,980	49,432
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.17)	\$ (0.07)

Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	March 31,	
	2022	2021
Warrants	—	308,632
Stock Options	11,234,682	15,712,369
RSUs	3,937,760	2,063,088
PRSUs	792,011	—
MRSU	3,000,000	—
ESPP	125,524	—
Convertible Notes	8,402,700	—
Total	27,492,677	18,084,089

Note 12. Income Taxes

The computation of the provision for or benefit from income taxes for interim periods is determined by applying the estimated annual effective tax rate to year-to-date income (loss) before tax and adjusting for discrete tax items recorded in the period, if any.

For the three months ended March 31, 2022, the Company recorded a tax expense of \$ 3,338. The effective tax rate for the three months ended March 31, 2022 was (22.6)%. The effective tax rate differs from the statutory rate primarily as a result of not recognizing deferred tax assets for U.S. losses due to a full valuation allowance against the U.S. deferred tax assets, and excess tax benefits from stock-based compensation.

For the three months ended March 31, 2021, the Company recorded a tax expense of \$ 996. The effective tax rate for the three months ended March 31, 2021 was (42.5)%. The effective tax rate differs from the statutory rate primarily as a result of not recognizing deferred tax assets for U.S. losses due to a full valuation allowance against the U.S. deferred tax assets, and excess tax benefits from stock-based compensation.

The provision for income taxes consists primarily of income taxes related to international jurisdictions in which the Company conducts business. Based on the available supporting evidence, including the amount and timing of future taxable income, the Company has concluded that it is more likely than not that a significant portion of the deferred tax assets will not be realized. As such, the Company maintains a full valuation allowance on its U.S. deferred tax assets.

For the three months ended March 31, 2022, uncertain tax positions recorded by the Company resulted in an expense of \$ 83. For the three months ended March 31, 2021, uncertain tax positions recorded by the Company resulted in an expense of \$68. To the extent the remaining uncertain tax positions are ultimately recognized, the Company's effective tax rate may be impacted in future periods. The Company's policy is to recognize interest and penalties related to uncertain tax positions in income tax expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy, plans and objectives of management for future operations and the potential impact that the ongoing COVID-19 pandemic may have on our business, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

Overview

DigitalOcean is a leading cloud computing platform offering on-demand infrastructure and platform tools for developers, start-ups and small and medium-sized businesses, or SMBs. We were founded with the guiding principle that the transformative benefits of the cloud should be easy to leverage, broadly accessible, reliable and affordable. Our platform simplifies cloud computing, enabling our customers to rapidly accelerate innovation and increase their productivity and agility. As of March 31, 2022, we had approximately 623,000 individual and business customers using our platform to build, deploy and scale software applications. Our users include software engineers, researchers, data scientists, system administrators, students and hobbyists. Our customers use our platform across numerous industry verticals and for a wide range of use cases, such as web and mobile applications, website hosting, e-commerce, media and gaming, personal web projects, and managed services, among many others. We believe that our focus on simplicity, community, open source and customer support are the four key differentiators of our business, driving a broad range of customers around the world to build their applications on our platform.

Improving the developer experience and increasing developer productivity are core to our mission. Our developer cloud platform was designed with simplicity in mind to ensure that software developers can spend less time managing their infrastructure and more time turning their ideas into innovative applications to grow their businesses. Simplicity guides how we design and enhance our easy-to-use-interface, the core capabilities we offer our customers and our approach to predictable and transparent pricing for our solutions. We offer mission-critical infrastructure solutions across compute, storage and networking, and we also enable developers to extend the native capabilities of our cloud with fully managed application, container and database offerings. In just minutes, developers can set up thousands of virtual machines, secure their projects, enable performance monitoring and scale up and down as needed. Our pricing is consumption-based and billed monthly in arrears, making it easy for our customers to track usage on an ongoing basis and optimize their deployments.

We generate revenue from the usage of our cloud computing platform by our customers, including but not limited to compute, storage and networking services. We recognize revenue based on the customer utilization of these resources. Our pricing is consumption-based and billed monthly in arrears, making it easy for our customers to track usage on an ongoing basis and optimize their deployments. The pricing for each of our products is available on our website.

We have historically generated almost all of our revenue from our efficient self-service customer acquisition model, which we complement with a targeted sales force focused on inside sales, outside sales and partnership opportunities to drive revenue growth. Our model enables customers to get started on our platform very quickly and without the need for assistance. We focus heavily on enabling a self-service, low-friction model that makes it easy for users to try, adopt and use our products. For the three months ended March 31, 2022 and 2021, our sales and marketing expense

was approximately 15% and 11% of our revenue, respectively. The efficiency of our go-to-market model and our focus on the needs of the individual and SMB markets have enabled us to drive organic growth and establish a truly global customer base across a broad range of industries.

We had approximately 623,000 customers as of March 31, 2022, up from approximately 585,000 as of March 31, 2021. We have a growing number of customers with higher spending levels and these larger customers are expanding their business with us at a faster rate than our overall customer base. We had approximately 102,000 customers paying more than \$50 per month as of March 31, 2022, up from approximately 85,000 as of March 31, 2021. Total customer growth for the quarter ended March 31, 2022 was approximately 6% as compared to the quarter ended March 31, 2021, while customers paying more than \$50 per month for the quarter ended March 31, 2022 grew 20% as compared to the quarter ended March 31, 2021.

Our customers are spread across over 185 countries and approximately two-thirds of our revenue has historically come from customers located outside the United States. For the three months ended March 31, 2022, 38% of our revenue was generated from North America, 29% from Europe, 23% from Asia and 10% from the rest of the world. Revenue from customers paying more than \$50 per month as a percentage of total revenue grew from 80% in the quarter ended March 31, 2021 to 84% in the quarter ended March 31, 2022.

Our average revenue per customer, or ARPU, has increased significantly from \$53.68 in the quarter ended March 31, 2021 to \$68.90 in the quarter ended March 31, 2022. We had no material customer concentration as our top 25 customers made up approximately 11% and 10% of our revenue in the three months ended March 31, 2022 and 2021, respectively. We have experienced strong and predictable growth in recent periods. Our annual run-rate revenue, or ARR, as of March 31, 2022 was \$524 million, up from \$388 million as of March 31, 2021. ARR as of the end of each month represents total revenue for that month multiplied by 12.

Impact of Russia-Ukraine Conflict

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion and a variety of responsive economic sanctions and export controls measures aimed at Russia, Belarus, and certain regions of Ukraine have been imposed by countries and governmental bodies around the world, including the United States and the European Union. These measures prohibit or restrict dealings with certain entities and individuals, including banks and financial institutions, in the target countries and territories.

We are committed to conducting our activities in compliance with applicable sanctions laws and regulations issued by countries in which we do business. We do not currently have employees or direct operations in Russia, Belarus or Ukraine, nor do we engage in activities with sanctioned parties; however, certain of our customers conduct business in these countries and regions. Recent sanction measures, including those targeting major Russian banks and financial institutions and the removal of certain Russian banks from the SWIFT messaging system, have impacted our ability to receive payments involving parties located in Russia. As of the three months ended March 31, 2022, aggregate revenue from our customers with business activities in Russia, Belarus and Ukraine was approximately 3.5% of our total revenue. As the situation continues to evolve, further sanctions actions may be forthcoming and could continue to impact the revenues received from certain customers.

The full impact of the conflict on our business operations and financial performance remains uncertain and will depend on future developments, including the severity and duration of the conflict and its impact on our customers and third-party providers, as well as regional and global economic conditions. We will continue to monitor and assess the situation and pursue prudent decisions for our team members, customers, and business.

For additional information, refer to Part II, Item 1A—Risk Factors of this Quarterly Report on Form 10-Q.

Key Factors Affecting Our Performance

Increasing Importance of Cloud Computing and Developers

Our future success depends in large part on the continuing adoption of cloud computing, proliferation of cloud-native start-ups and SMBs and the increasing importance of developers, all of which are driving the adoption of our developer cloud platform. We believe our market opportunity is large and that these factors will continue to drive our growth. We plan to continue to invest significantly in scaling across many organizational functions in order to grow our operations both domestically and internationally to capitalize on these trends.

Growing our Customer Base

We believe there is a substantial opportunity to further expand our customer base, and our future growth depends, in large part, on our ability to increase the number of customers using our cloud computing platform. We have historically attracted customers by offering a low-friction, self-service cloud platform combined with a highly-efficient self-service marketing model. We are investing in strategies that we believe will continue to drive new customer adoption, especially among SMB customers, such as implementing new marketing initiatives that further optimize our self-service revenue funnel and expanding our go-to market teams in select international locations. Our ability to attract new customers will depend on a number of factors, including our success in recruiting and expanding our sales and marketing organization and competitive dynamics in our target markets.

Increasing Usage by Our Existing Customers

Our customer base of approximately 623,000 customers represents a significant opportunity for further consumption of our services. There are substantial opportunities to expand revenue within our large customer base through increased usage of our platform as our customers grow their businesses, adoption of additional product offerings and targeted sales initiatives focused on our larger customers. Our consumption-based pricing model makes it frictionless for customers to increase their usage of our platform as they require more compute and storage as they grow and scale. We have also expanded the breadth of our platform offerings and will continue to do so as we have experienced strong adoption of recently developed products. To accelerate this growth across our larger customers, we complement our self-service marketing model with internal go-to-market teams that are specifically focused on expanding our business with our larger customers. Our ability to increase the usage of our platform by existing customers will depend on a number of factors, including our customers' satisfaction with our platform and product offerings, competition, pricing and overall changes in our customers' spending levels.

Enhancing Our Platform and Product Offerings

We believe the market opportunity for serving developers, start-ups and SMBs is very large and goes far beyond providing the core IaaS services of compute, storage and networking. We have a history of, and will continue to invest significantly in, developing and delivering innovative products, features and functionality targeted at our core customer base. In addition, while we have not been focused on acquisition opportunities to drive our growth, we may pursue both strategic partnerships and acquisitions that we believe will be complementary to our business, accelerate customer acquisition, increase usage of our platform and/or expand our product offerings in our core markets. Our results of operations may fluctuate as we make these investments to drive usage and take advantage of our expansive market opportunity.

Key Business Metrics

We utilize the key metrics set forth below to help us evaluate our business and growth, identify trends, formulate financial projections and make strategic decisions. We are not aware of any uniform standards for calculating these key metrics, and other companies may not calculate similarly titled metrics in a consistent manner, which may hinder comparability.

	Three Months Ended March 31,			
	2022		2021	
Customers	622,749		585,466	
Customers paying more than \$50 per month	102,426		85,154	
ARPU	\$	68.90	\$	53.68
ARR (in millions)	\$	524	\$	388
Net dollar retention rate		117 %		107 %

Customers

We believe that the number of customers is an important indicator of the growth of our business and future revenue opportunity. We define a customer at the end of any period as a person or entity who has incurred usage in the period and, as a result, has generated an invoice of greater than \$0 for that period. We treat each customer that generates an invoice as a unique customer, and a single organization with multiple divisions, segments or subsidiaries may be counted as multiple customers if they separately signed up on our platform.

The number and growth of our larger customers is of particular importance to us as these customers represent a significant majority of our revenue and revenue growth, and they are more representative of the SMB customers that grow on our platform and use multiple products. We define customers paying more than \$50 per month as customers having generated an invoice of greater than \$50 for that period.

ARPU

We believe that our average revenue per customer, which we refer to as ARPU, is a strong indication of our ability to land new customers with higher spending levels and expand usage of our platform by our existing customers. We calculate ARPU on a monthly basis as our total revenue in that period divided by the number of customers determined as of the last day of that period. For a quarterly or annual period, ARPU is determined as the weighted average monthly ARPU over such three or 12-month period.

ARR

Given the renewable nature of our business, we view annual run-rate revenue as an important indicator of our current progress towards meeting our revenue targets and projected growth rate going forward. We calculate ARR at a point in time by multiplying the latest monthly period's revenue by 12.

Net Dollar Retention Rate

Our ability to maintain long-term revenue growth and achieve profitability is dependent on our ability to retain and grow revenue from our existing customers. We have a history of retaining customers for multiple years and in many cases increasing their spend with us over time. To help us measure our performance in this area, we monitor our net dollar retention rate. We calculate net dollar retention rate monthly by starting with the revenue from the cohort of all customers during the corresponding month 12 months prior, or the Prior Period Revenue. We then calculate the revenue from these same customers as of the current month, or the Current Period Revenue, including any expansion and net of any contraction or attrition from these customers over the last 12 months. The calculation also includes revenue from customers that generated revenue before, but not in, the corresponding month 12 months prior, but subsequently generated revenue in the current month and are therefore reflected in the Current Period Revenue. We include this group of re-engaged customers in this calculation because our customers frequently use our platform for projects that stop and start over time. We then divide the total Current Period Revenue by the total Prior Period Revenue to arrive at the net dollar retention rate for the relevant month. For a quarterly or annual period, the net dollar retention rate is determined as the average monthly net dollar retention rates over such three or 12-month period.

Components of Results of Operations

Revenue

We provide cloud computing services, including but not limited to compute, storage and networking, to our customers. We recognize revenue based on the customer utilization of these resources. Customer contracts are primarily month-to-month and do not include any minimum guaranteed quantities or fees. Fees are billed monthly, and payment is typically due upon invoicing. Revenue is recognized net of allowances for credits and any taxes collected from customers, which are subsequently remitted to governmental authorities. We may offer sales incentives in the form of promotional and referral credits and grant credits to encourage customers to use our services. These types of promotional and referral credits typically expire in two months or less if not used. For credits earned with a purchase, they are recorded as contract liabilities when earned and recognized at the earlier of redemption or expiration. The majority of credits are redeemed in the month they are earned.

Cost of Revenue

Cost of revenue consists primarily of fees related to operating in third-party co-location facilities, personnel expenses for those directly supporting our data centers and non-personnel costs, including amortization of capitalized internal-use software development costs and depreciation of our data center equipment. Third-party co-location facility costs include data center rental fees, power costs, maintenance fees, network and bandwidth. Personnel expenses include salaries, bonuses, benefits, and stock-based compensation.

We intend to continue to invest additional resources in our infrastructure to support our product portfolio and scalability of our customer base. The level, timing and relative investment in our infrastructure could affect our cost of revenue in the future.

Operating Expenses*Research and Development Expenses*

Research and development expenses consist primarily of personnel costs including salaries, bonuses, benefits and stock-based compensation. Research and development expenses also include amortization of capitalized internal-use software development costs for research and development activities, which are amortized over three years, and professional services, as well as costs related to our efforts to add new features to our existing offerings, develop new offerings, and ensure the security, performance, and reliability of our global cloud platform. We expect research and development expenses to increase in absolute dollars as we continue to invest in our platform and product offerings.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel costs of our sales, marketing and customer support employees including salaries, bonuses, benefits and stock-based compensation. Sales and marketing expenses also include costs for marketing programs, advertising and professional service fees. We expect sales and marketing expenses to continue to increase in absolute dollars as we enhance our product offerings and implement new marketing strategies.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs of our human resources, legal, finance, and other administrative functions including salaries, bonuses, benefits, and stock-based compensation. General and administrative expenses also include bad debt expense, software, payment processing fees, business insurance, depreciation and amortization expenses, rent and facilities costs, loss on sublease, and other administrative costs. We expect to incur significant additional legal, accounting and other expenses to support our operations as a public company, including costs associated with our compliance with the Sarbanes-Oxley Act. We also expect general and administrative expenses to increase in absolute dollars as we continue to grow our business.

Other (Income) Expense

Other (income) expense consists primarily of interest expense on our existing credit facility and third-party equipment financing, loss on extinguishment of debt, accretion/amortization of premium/discounts of our available-for-sale investments, and gains or losses on foreign currency exchange.

Income Tax Expense

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

Results of Operations

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

	Three Months Ended	
	March 31,	
	2022	2021
	(in thousands)	
Revenue	\$ 127,327	\$ 93,661
Cost of revenue ⁽¹⁾	46,757	39,544
Gross profit	80,570	54,117
Operating expenses:		
Research and development ⁽¹⁾	37,241	22,402
Sales and marketing ⁽¹⁾	19,044	10,421
General and administrative ⁽¹⁾	37,424	18,040
Total operating expenses	93,709	50,863
(Loss) income from operations	(13,139)	3,254
Other (income) expense	1,646	5,597
Loss before income taxes	(14,785)	(2,343)
Income tax expense	3,338	996
Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)

(1) Includes stock-based compensation as follows:

	Three Months Ended	
	March 31,	
	2022	2021
	(in thousands)	
Cost of revenue	\$ 432	\$ 196
Research and development	9,720	2,636
Sales and marketing	3,346	1,137
General and administrative	12,483	2,655
Total	\$ 25,981	\$ 6,624

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

	Three Months Ended	
	March 31,	
	2022	2021
Revenue	100 %	100 %
Cost of revenue	37	42
Gross profit	63	58
Operating expenses:		
Research and development	29	24
Sales and marketing	15	11
General and administrative	29	19
Total operating expenses	73	54
(Loss) income from operations	(10)	4
Other (income) expense	1	6
Loss before income taxes	(11)	(2)
Income tax expense	3	1
Net loss attributable to common stockholders	(14) %	(3) %

Comparison of the Three Months Ended March 31, 2022 and 2021

Revenue

	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
	(in thousands)			
Revenue	\$ 127,327	\$ 93,661	\$ 33,666	36 %

Revenue increased \$33.7 million, or 36%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to a 28% increase in ARPU to \$68.90 from \$53.68 and an increase of approximately 37,000 customers to approximately 623,000. The increase in ARPU was primarily driven by continued adoption of our products by our customers leading to higher average usage on our platform.

Cost of Revenue

	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
	(in thousands)			
Cost of revenue	\$ 46,757	\$ 39,544	\$ 7,213	18 %

Cost of revenue increased \$7.2 million, or 18%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to higher co-location costs and depreciation of our network equipment to support the growth in our business.

Operating Expenses

	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
	(in thousands)			
Research and development	\$ 37,241	\$ 22,402	\$ 14,839	66 %
Sales and marketing	19,044	10,421	8,623	83 %
General and administrative	37,424	18,040	19,384	107 %
Total operating expenses	\$ 93,709	\$ 50,863	\$ 42,846	84 %

Research and development expenses increased \$14.8 million, or 66%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to higher personnel costs and stock-based compensation.

Sales and marketing expenses increased \$8.6 million, or 83%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to higher personnel costs and stock-based compensation, and increases in advertising costs.

General and administrative expenses increased \$19.4 million, or 107%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to higher personnel costs and stock-based compensation, and increases in bad debt expense, insurance and software licensing fees, partially offset by a decrease in professional service fees.

Other (Income) Expense

	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
	(in thousands)			
Other (income) expense	\$ 1,646	\$ 5,597	\$ (3,951)	(71) %

Other (income) expense decreased \$4.0 million, or 71%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to lower interest expense due to the payoff of the term loan and notes payable in the first quarter of 2021 and interest income from our marketable securities, partially offset by a loss on extinguishment of debt.

Income Tax Expense

	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
	(in thousands)			
Income tax expense	\$ 3,338	\$ 996	\$ 2,342	235 %

Income tax expense increased \$2.3 million, or 235%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to income taxes related to international jurisdictions in which we conduct business.

Liquidity and Capital Resources

We have funded our operations since inception primarily with cash flow generated by operations, private offerings of our securities, borrowings under our existing credit facility and capital expenditure financings. In March 2021, we consummated our IPO of 16,500,000 shares of our common stock at an offering price of \$47.00 per share resulting in aggregate net proceeds to us of \$723.0 million after deducting the underwriting discounts and commissions and offering expenses payable by us.

In November 2021, we issued \$1.50 billion aggregate principal amount of our Convertible Notes in a private offering. The Convertible Notes will mature on December 1, 2026, unless earlier converted, redeemed or repurchased.

In February 2022, we began our common stock buyback program whereby we can repurchase up to an aggregate of \$300.0 million of our common stock throughout fiscal year 2022. During the first quarter of 2022, we repurchased and retired 2.6 million shares of common stock at an average price of \$58.20 per share for an aggregate purchase price of \$150.0 million.

In March 2022, we entered into a third amended and restated credit facility to increase our borrowing capacity from \$150.0 million to \$250.0 million. As of March 31, 2022, we had not drawn on the credit facility.

As of March 31, 2022, we had \$464.8 million in cash and cash equivalents and \$1.1 billion in marketable securities. Our cash and cash equivalents primarily consist of money market funds and commercial paper. Our marketable securities consist of U.S. treasury securities, commercial debt securities, and commercial paper.

We believe our existing cash and cash equivalents, marketable securities, cash flow from operations, availability under our credit facility, and convertible notes will be sufficient to support working capital and capital expenditure requirements and our outstanding contractual commitments for at least the next 12 months.

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

<i>(In thousands)</i>	Three Months Ended March 31,	
	2022	2021
Net cash provided by operating activities	\$ 30,283	\$ 19,791
Net cash used in investing activities	(1,120,955)	(23,687)
Net cash (used in) provided by financing activities	(157,879)	463,638
(Decrease) increase in cash, cash equivalents and restricted cash	(1,248,551)	459,742

Operating Activities

Our largest source of operating cash is cash collections from sales to our customers. Our primary uses of cash from operating activities are for personnel costs, data center co-location expenses, marketing expenses, payment processing fees, bandwidth and connectivity, server maintenance and software licensing fees.

Net cash provided by operating activities was \$30.3 million and \$19.8 million for the three months ended March 31, 2022 and 2021, respectively, for which the increases in each year were primarily driven by an increase in cash collections from higher revenues offset by an increase in cash expenses for personnel related costs.

Investing Activities

Net cash used in investing activities was \$1.1 billion for the three months ended March 31, 2022 compared to \$23.7 million for the three months ended March 31, 2021. The increase was driven by our investment in available-for-sale marketable securities of \$1.1 billion and the acquisition of CCS Tricks for \$4.0 million.

Financing Activities

Net cash used in financing activities of \$157.9 million for the three months ended March 31, 2022 was primarily due to the repurchase and retirement of our common stock for \$150 million.

Net cash provided by financing activities of \$463.6 million for the three months ended March 31, 2021 was primarily due to proceeds from our IPO of \$723.0 million partially offset by repayments on the credit facility and notes payable of \$263.2 million.

Contractual Obligations and Commitments

There have been no material changes to our obligations under our operating leases and purchase commitments as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies as compared to those disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Recently Adopted Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies, in our Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Emerging Growth Company Status

We are an emerging growth company, as defined under the JOBS Act. The JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP, we provide investors with non-GAAP financial measures including: (i) adjusted gross profit and adjusted gross margin; (ii) non-GAAP income from operations and non-GAAP operating margin; (iii) non-GAAP net income and non-GAAP diluted net income per share; and (iv) free cash flow and free cash flow margin. These measures are presented for supplemental informational purposes only, have limitations as analytical tools and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In particular, free cash flow is not a substitute for cash used in operating activities. Additionally, the utility of free cash flow as a measure of our financial performance and liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. Our calculations of each of these measures may differ from the calculations of measures with the same or similar titles by other companies and therefore comparability may be limited. Because of these limitations, when evaluating our performance, you should consider each of these non-GAAP financial measures alongside other financial performance measures, including the most directly comparable financial measure calculated in accordance with GAAP and our other GAAP results. A reconciliation of each of our non-GAAP financial measures to the most directly comparable financial measure calculated in accordance with GAAP is set forth below.

Adjusted Gross Profit and Adjusted Gross Margin

We believe adjusted gross profit and adjusted gross margin, when taken together with our GAAP financial results, provides a meaningful assessment of our performance, and is useful for the preparation of our annual operating budget and quarterly forecasts.

We define adjusted gross profit as gross profit exclusive of stock-based compensation, amortization of capitalized internal-use software development costs and depreciation of our data center equipment included within Cost of revenue. We exclude stock-based compensation, which is a non-cash item, because we do not consider it indicative of our core operating performance. We exclude depreciation and amortization, which primarily relates to our investments in our data center servers that are long lived assets with an economic life of five years, because it may not reflect our current or future cash spending levels to support our business. While we intend to spend a significant amount on capital expenditures on an absolute basis in the coming years, our capital expenditures as a percentage of revenue has declined significantly and will continue to decline. We define adjusted gross margin as a percentage of adjusted gross profit to revenue.

The following table presents a reconciliation of gross profit, the most directly comparable financial measure stated in accordance with GAAP, to adjusted gross profit for each of the periods presented:

	Three Months Ended	
	March 31,	
	2022	2021
<i>(In thousands)</i>		
Gross profit	\$ 80,570	\$ 54,117
Adjustments:		
Depreciation and amortization	22,262	19,225
Stock-based compensation	432	196
Adjusted gross profit	\$ 103,264	\$ 73,538
Gross margin	63 %	58 %
Adjusted gross margin	81 %	79 %

Non-GAAP Income from Operations and Non-GAAP Operating Margin

We define non-GAAP income from operations as (Loss) income from operations, excluding stock-based compensation and loss on sublease. Beginning in the second quarter of 2022, we will define non-GAAP income from operations as (Loss) income from operations, excluding stock-based compensation, amortization of acquired intangibles, acquisition related costs, loss on sublease, asset impairment, restructuring and severance, and other unusual or non-recurring transactions as they occur. We believe these modifications will assist investors in performing meaningful comparisons of past, present and future operating results and better highlight the results of our ongoing operations. We define non-GAAP operating margin as non-GAAP income from operations as a percentage of revenue. We use non-GAAP income from operations to understand and evaluate our core operating performance and trends and to develop short-term and long-term operating plans. We believe that non-GAAP income from operations facilitates comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with GAAP, helps provide a broader picture of factors and trends affecting our results of operations.

The following table presents a reconciliation of (Loss) income from operations, the most directly comparable financial measure stated in accordance with GAAP, to Non-GAAP income from operations for each of the periods presented:

	Three Months Ended March 31,	
	2022	2021
<i>(In thousands)</i>		
(Loss) income from operations	\$ (13,139)	\$ 3,254
Adjustments:		
Stock-based compensation	25,981	6,624
Loss on sublease	788	—
Non-GAAP income from operations	\$ 13,630	\$ 9,878
Operating margin	(10)%	3 %
Non-GAAP operating margin	11 %	11 %

Non-GAAP Net Income and Non-GAAP Diluted Net Income Per Share

We define non-GAAP net income as Net loss attributable to common stockholders, excluding stock-based compensation, amortization of acquired intangibles, acquisition related costs, release of VAT reserve, and loss on sublease. Beginning in the second quarter of 2022, we will define non-GAAP net income (loss) as Net loss attributable to common stockholders, excluding stock-based compensation, amortization of acquired intangibles, acquisition related costs, release of VAT reserve, loss on sublease, loss on extinguishment of debt, asset impairment, restructuring and severance expense, revaluation of warrants, and other unusual or non-recurring transactions as they occur. We believe these modifications will assist investors in performing meaningful comparisons of past, present and future operating results and better highlight the results of our ongoing operations. We define non-GAAP diluted net income per share as non-GAAP net income divided by the weighted-average shares including the dilutive effects of our convertible preferred stock, warrants, stock options, RSUs, PRSUs and Convertible Notes.

We believe non-GAAP net income per share provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this metric generally eliminates the effects of unusual or non-recurring items from period to period for reasons unrelated to overall operating performance.

The following table presents a reconciliation of Net loss attributable to common stockholders, the most directly comparable financial measure stated in accordance with GAAP, to Non-GAAP Net income for each of the periods presented:

	Three Months Ended March 31,	
	2022	2021
<i>(In thousands)</i>		
GAAP Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Stock-based compensation	25,981	6,624
Amortization of acquired intangible assets	462	76
Acquisition related costs	(46)	—
Loss on sublease	788	—
Income tax effects of non-GAAP adjustments ⁽¹⁾	309	135
Non-GAAP net income ⁽²⁾	\$ 9,371	\$ 3,496
Non-GAAP diluted net income per share ⁽²⁾	\$ 0.07	\$ 0.03
Weighted-average shares used to compute Non-GAAP diluted net income per share	126,555	103,403

- (1) The income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for the relevant jurisdiction, except for those items which are non-taxable or subject to valuation allowances for which the tax expense (benefit) was calculated at 0%. The tax benefit for amortization is calculated in a similar manner as the tax effects of the non-GAAP adjustments.

(2) Amounts are attributable for both the common and convertible preferred stockholders, treated as one class of stock.

Free Cash Flow and Free Cash Flow Margin

Free cash flow is a non-GAAP financial measure that we define as Net cash provided by operating activities less purchases of property and equipment, capitalized internal-use software costs and purchase of intangible assets. Free cash flow margin is calculated as free cash flow divided by total revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity that provide information to management and investors about the amount of cash generated from our core operations that, after the purchases of property and equipment, can be used for strategic initiatives, including investing in our business and selectively pursuing acquisitions and strategic investments. We further believe that historical and future trends in free cash flow and free cash flow margin, even if negative, provide useful information about the amount of Net cash provided by operating activities that is available (or not available) to be used for strategic initiatives. For example, if free cash flow is negative, we may need to access cash reserves or other sources of capital to invest in strategic initiatives. One limitation of free cash flow and free cash flow margin is that they do not reflect our future contractual commitments. Additionally, free cash flow does not represent the total increase or decrease in our cash balance for a given period.

The following table presents our cash flows for the periods presented and a reconciliation of free cash flow and free cash flow margin to Net cash provided by operating activities the most directly comparable financial measure calculated in accordance with GAAP:

	Three Months Ended			
	March 31,			
<i>(In thousands)</i>	2022		2021	
Net cash provided by operating activities	\$	30,283	\$	19,791
Adjustments:				
Capital expenditures - property and equipment		(22,976)		(22,398)
Capital expenditures - internal-use software development		(2,276)		(1,370)
Free cash flow	\$	5,031	\$	(3,977)
As a percentage of revenue:				
Net cash provided by operating activities		24 %		21 %
Free cash flow margin		4 %		(4) %

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2022. Based on the evaluation of our disclosure controls and procedures as of March 31, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

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

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, if determined adversely to us, would in our estimation, have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS

Please refer to Item 1A—Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022, for a description of certain significant risks and uncertainties to which our business, financial condition and results of operations are subject.

There have been no material changes in the risk factors from those detailed in our Annual Report on Form 10-K for the year ended December 31, 2021, except as set forth below.

Unfavorable conditions in our industry or the global economy, or reductions in information technology spending, could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of unfavorable changes in our industry or the global economy on us or our customers and potential customers. Unfavorable conditions in the economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth in the United States or abroad, financial and credit market fluctuations, international trade relations, political turmoil, natural catastrophes, outbreaks of contagious diseases (such as the ongoing COVID-19 pandemic), warfare and terrorist attacks on the United States, Europe or elsewhere, including military actions affecting Russia, Ukraine and/or surrounding regions, could cause a decrease in business investments, including spending on information technology, disrupt the timing and cadence of key industry events, and negatively affect the growth of our business and our results of operations. For example, any reductions in information technology spending may fall disproportionately on outsourced and cloud-based solutions like ours. In addition, impacts of the COVID-19 pandemic may be exacerbated by the disproportionate impact it is having on the individual developers, early stage start-ups and small-to-medium size businesses that make a large portion of our customer base, many of which may be forced to shut down or limit operations for an indefinite period of time. Economic weakness, customer financial difficulties and constrained spending on information technology operations could adversely affect our customers' ability or willingness to subscribe to our service offerings, delay purchasing decisions and lengthen our sales cycles, reduce the usage of our products and services, or increase churn, all of which could have an adverse effect on our sales and operating results. In addition, our competitors, many of whom are larger and have greater financial resources than we do, may respond to challenging market conditions by lowering prices in an attempt to attract our customers and may be less dependent on key industry events to generate sales for their products. Further, the increased pace of consolidation in certain industries may result in reduced overall spending on our products.

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion and a variety of responsive economic sanctions and export controls measures aimed at Russia, Belarus, and certain regions in Ukraine have been imposed by countries and governmental bodies around the world, including the United States and the European Union. The continuing conflict and the resulting international response has created significant political and economic uncertainty at a global level. As noted, we do not currently have employees or direct operations in Russia, Belarus or Ukraine, nor do we engage in activities with sanctioned parties; however, the recent sanction measures have impacted our customers with business activities in these countries and regions and have impacted our ability to realize revenues from those customers. Recent sanction measures, including those targeting major Russian banks and financial institutions and the removal of certain Russian banks from the SWIFT messaging system, have impacted our ability to receive payments involving parties located in Russia. As the situation continues to evolve, further sanctions actions may be forthcoming and could continue to impact the revenues received from certain customers.

Further, due to political uncertainty and military actions involving Russia, Ukraine and surrounding regions, we and the third parties upon which we rely may be vulnerable to a heightened risk of cyber-attacks, computer malware, viruses, supply chain attacks, social engineering (including spear phishing and ransomware attacks) and general hacking that could materially disrupt our systems and operations.

The full impact of the conflict on our business operations and financial performance remains uncertain and will depend on future developments, including the severity and duration of the conflict and its impact on our customers and third-party providers, as well as regional and global economic conditions. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also exacerbate the impact of other risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The following table provides information with respect to repurchases of shares of common stock by the Company during the three months ended March 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Approximate Dollar Value (in thousands) of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
January 1-31, 2022	—	\$ —	—	\$ —
February 1-28, 2022	538,290	53.15	538,290	271,388
March 1-31, 2022	2,039,181	59.53	2,039,181	150,000
Total	2,577,471	\$ 58.20	2,577,471	

- (1) In February 2022, the Company announced that the Board of Directors approved the repurchase of up to an aggregate of \$300 million of its common stock pursuant to a share buyback program (the "Program"). As of March 31, 2022, \$150 million of the authorized amount under the Program had been utilized and \$150 million is available for future repurchases under the Program. The Program does not obligate the Company to acquire any specific number or dollar amount of shares. The Program is authorized throughout fiscal year 2022; however, the Company is not obligated to acquire any particular amount of common stock and the Program may be extended, modified, suspended or discontinued at any time at the Company's discretion. Under the Program, shares may be repurchased through open market purchases or in negotiated transactions off the market.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Incorporated by Reference						
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.1	Employment Agreement between DigitalOcean, LLC and Alan Shapiro, dated March 8, 2021.					X
10.2	Employment Agreement between DigitalOcean, LLC and Gabriel Monroy, dated September 10, 2021.					X
10.3	Third Amended and Restated Credit Agreement, dated as of March 29, 2022, between DigitalOcean Holdings, Inc., DigitalOcean, LLC, the lenders party thereto and KeyBank National Association, as Administrative Agent.	8-K	001-40252	10.1	March 30, 2022	
31.1	Certification of Yancey Spruill, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of William Sorenson, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certifications of Yancey Spruill, Chief Executive Officer, and William Sorenson, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extensions Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase					X
104	Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)					X

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

DigitalOcean Holdings, Inc.

Date: May 5, 2022

By: /s/ Yancey Spruill
Yancey Spruill
Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2022

By: /s/ William Sorenson
William Sorenson
Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (the “**Agreement**”) is entered into on March 8, 2021 (the “**Effective Date**”) by and between **DigitalOcean, LLC** (collectively, the “**Company**”) and Alan Shapiro (the “**Executive**”) (collectively, the “**Parties**”).

WHEREAS, the Company and Executive desire to set forth the terms upon which the Executive will continue Executive’s employment with the Company;

WHEREAS, the Company and Executive are parties to an offer letter dated, May 22, 2017 (the “**Existing Agreement**”);

WHEREAS, the Company and Executive desire to supersede and replace the Existing Agreement with the below terms;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1. Employment by the Company.

1.1 Position. As of the Effective Date, Executive shall continue to serve as the Company’s General Counsel. Executive shall perform such duties as are required by the Chief Executive Officer to whom Executive will report, or by such other person(s) as that person may designate. During the term of Executive’s employment with the Company, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention to the business of the Company, except for approved time off permitted by the Company’s general employment policies.

1.2 Policies and Procedures. The employment relationship between the Parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Compensation.

2.1 Base Salary. For services to be rendered hereunder, Executive shall receive a base salary at the rate of Three Hundred Forty Five Thousand Dollars (\$345,000) per year (as modified from time-to-time, the “**Base Salary**”), subject to standard payroll deductions and withholdings and payable in accordance with the Company’s regular payroll schedule.

2.2 Annual Bonus. Executive will be eligible for an annual discretionary cash bonus of up to sixty percent (60%) of Executive’s Base Salary (the “**Annual Bonus**”). Whether Executive receives an Annual Bonus for any given year, and the amount of any such Annual Bonus, will be determined by the Board of Directors (the “**Board**”) of DigitalOcean Holdings, Inc. (“**Holdings**”) (or the Compensation Committee of the Board) based upon the Company’s and Executive’s achievement of objectives and

milestones to be determined on an annual basis. Any Annual Bonus that is awarded will be paid within the first ninety (90) days of the calendar year following the applicable bonus year. Except for a Change in Control Annual Bonus (as defined below) payment, Executive will not be eligible for, and will not earn, any Annual Bonus (including a prorated bonus) if Executive's employment terminates for any reason before the payment date.

3. Standard Company Benefits. Executive shall be entitled to participate in all employee benefit programs for which Executive is eligible under the terms and conditions of the benefit plans that may be in effect from time to time and provided by the Company to its employees. The Company reserves the right to cancel or change the benefit plans or programs it offers to its employees at any time.

4. Expenses. The Company will reimburse Executive for reasonable travel, entertainment or other expenses incurred by Executive in furtherance or in connection with the performance of Executive's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

5. Termination of Employment; Severance

5.1 At-Will Employment. Executive's employment relationship is at- will. Either Executive or the Company may terminate the employment relationship at any time, with or without cause or advance notice.

5.2 Termination Without Cause; Resignation for Good Reason.

(i) The Company may terminate Executive's employment with the Company at any time without Cause (as defined below). Further, Executive may resign at any time for Good Reason (as defined below).

(ii) In the event Executive's employment with the Company is terminated by the Company without Cause, or Executive resigns for Good Reason, then provided such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), and provided that Executive remains in compliance with the terms of this Agreement, the Company shall provide Executive with the following severance benefits:

(a) The Company shall pay Executive, as severance, six (6) months of Base Salary, subject to standard payroll deductions and withholdings (the "**Severance**"). The Severance will be paid in equal installments on the Company's regular payroll schedule over the six (6) month period following Executive's Separation from Service; *provided, however*, that no payments will be made prior to the 60th day following Executive's Separation from Service. On the 60th day following Executive's Separation from Service, the Company will pay Executive in a lump sum the Severance that Executive would have received on or prior to such date under the standard payroll schedule but for the delay while waiting for the 60th day in compliance with the Internal Revenue Code (the

“Code”) Section 409A, with the balance of the Severance being paid as originally scheduled.

(b) Provided Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums to continue Executive's coverage (including coverage for eligible dependents, if applicable) (“**COBRA Premiums**”) through the period (the “**COBRA Premium Period**”) starting on Executive's Separation from Service and ending on the earliest to occur of: (i) six (6) months following Executive's Separation from Service; (ii) the date Executive becomes eligible for group health insurance coverage through a new employer; or (iii) the date Executive ceases to be eligible for COBRA continuation coverage for any reason, including plan termination. In the event Executive becomes covered under another employer's group health plan or otherwise ceases to be eligible for COBRA during the COBRA Premium Period, Executive must immediately notify the Company of such event. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the COBRA Premiums without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall pay to Executive, on the first day of each calendar month, a fully taxable cash payment equal to the applicable COBRA premiums for that month (including premiums for Executive and Executive's eligible dependents who have elected and remain enrolled in such COBRA coverage), subject to applicable tax withholdings (such amount, the “**Special Cash Payment**”), for the remainder of the COBRA Premium Period. Executive may, but is not obligated to, use such Special Cash Payments toward the cost of COBRA premiums.

(iii) If the Company terminates Executive's employment with the Company without Cause, or Executive resigns for Good Reason, in either case within three (3) months prior to or twelve (12) months following the closing of a Change in Control (as defined below), then instead of the severance benefits provided in Section 5.2(ii) above, the Company shall provide Executive with the following severance benefits:

(a) The Company shall pay Executive, as severance, twelve (12) months of Base Salary, subject to standard payroll deductions and withholdings (the “**Change in Control Severance**”). The Change in Control Severance will be paid in a single lump sum within sixty (60) days following Executive's termination of employment; *provided, however*, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Change in Control Severance shall be paid in the second calendar year by the last day of such 60-day period. Notwithstanding the foregoing, if such termination occurs prior to a Change in Control, the Change in Control Severance shall commence to be paid in installments in accordance with Section 5.2(ii) above, and upon the occurrence of such Change in Control, the remainder of the Change in Control Severance shall be payable in a lump sum in accordance with this section.

(b) Provided Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums to continue Executive's coverage (including coverage for eligible dependents, if applicable) (“**Change in Control COBRA Premiums**”) through the period (the “**Change in Control COBRA**”

Premium Period") starting on Executive's termination of employment and ending on the earliest to occur of: (i) 12 months following Executive's termination of employment; (ii) the date Executive becomes eligible for group health insurance coverage through a new employer; or (iii) the date Executive ceases to be eligible for COBRA continuation coverage for any reason, including plan termination. In the event Executive becomes covered under another employer's group health plan or otherwise ceases to be eligible for COBRA during the Change in Control COBRA Premium Period, Executive must immediately notify the Company of such event. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the Change in Control COBRA Premiums without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall pay to Executive, the Special Cash Payment for the remainder of the Change in Control COBRA Premium Period. Executive may, but is not obligated to, use such Special Cash Payments toward the cost of Change in Control COBRA Premiums.

(c) The Company shall pay Executive, as a bonus, one hundred percent (100%) of Executive's Annual Bonus in effect as of the date of Executive's employment termination for the fiscal year in which the termination of employment occurs (the "**Change in Control Annual Bonus**"). The Change in Control Annual Bonus will be subject to standard payroll deductions and withholdings and will be paid in a single lump sum within sixty (60) days following Executive's termination of employment; *provided, however*, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Change in Control Annual Bonus shall be paid in the second calendar year by the last day of such 60-day period.

(d) (i) One hundred percent (100%) of all outstanding equity awards in Holdings, held by Executive immediately prior to the employment termination date (if any) subject to time-based vesting requirements, shall be accelerated in full as of the effective date of the Separation Agreement (as defined below); and (ii) the vesting and exercisability of all outstanding equity awards subject to performance-based vesting will be treated as set forth in Executive's equity award agreement governing such award.

1.3 Death or Disability.

(i) Upon fourteen (14) days prior written notice from the Company, in the event of Disability (as defined below), Executive's employment shall terminate and Executive shall be entitled to: (a) the severance benefits set forth in Section 5.2(ii)(a); (b) if eligible based on the terms set forth in the award agreements governing Executive's equity pursuant to Holdings' 2021 Equity Incentive Plan, acceleration of all of Executive's outstanding equity awards in Holdings; and (c) Executive will not be entitled to any other severance benefits set forth herein.

(ii) In the event of Executive's death, Executive's employment with the Company shall automatically terminate and the Company shall provide Executive's estate with the following severance benefits: (a) the severance benefits set forth in Section 5.2(ii)(a); (b) if eligible based on the terms set forth in the award

agreements governing Executive's equity pursuant to Holdings' 2021 Equity Incentive Plan, acceleration of all of Executive's outstanding equity awards in Holdings; and (c) Executive will not be entitled to any other severance benefits set forth herein.

1.4 Termination for Cause; Resignation Without Good Reason.

(i) The Company may terminate Executive's employment with the Company at any time for Cause. Further, Executive may resign at any time without Good Reason.

(ii) If Executive resigns without Good Reason, or the Company terminates Executive's employment for Cause, then (a) Executive will no longer vest in any Holdings' equity awards granted to Executive, (b) all payments of compensation by the Company to Executive hereunder will terminate immediately (except as to amounts already earned), and (c) Executive will not be entitled to any severance benefits set forth herein.

6. Conditions to Receipt of Severance Benefits. The receipt of the severance benefits set forth herein will be subject to Executive (or a representative from Executive's estate in the event of Executive's death) signing and not revoking a separation agreement and release of claims in a form satisfactory to the Company (the "**Separation Agreement**") within a time period specified by the Company. No severance benefits will be paid or provided until the Separation Agreement becomes effective. Executive shall also resign from all positions and terminate any relationships as an employee, advisor, officer or director with the Company and any of its subsidiaries and/or affiliates, each effective on the date of termination.

7. Section 409A. It is intended that all of the severance benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Executive prior to the earliest of (i)

the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Paragraph shall be paid in a lump sum to Executive, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

8. Definitions.

(i) Cause. For purposes of this Agreement, "**Cause**" for termination will mean: (a) Executive's unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company;

(b) Executive's material breach of any agreement between Executive and the Company; (c) Executive's material failure to comply with the Company's written policies or rules; (d) Executive's conviction or, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state or a similar violation outside the United States; (e) Executive's gross negligence or willful misconduct in connection with Executive's conduct as an employee of the Company, which causes material harm to the Company; (f) Executive's continuing failure to perform assigned duties after receiving written notification of the failure from the Board; or (g) Executive's failure to cooperate in good faith (as reasonably determined by the Board) with a governmental or internal investigation of the Company or its directors, office, or employees, if the Company has reasonably requested Executive's cooperation.

(ii) Good Reason. For purposes of this Agreement, Executive shall have "**Good Reason**" for resignation from employment with the Company if any of the following actions are taken by the Company without Executive's prior written consent: (a) a material reduction in Executive's base salary, which the parties agree is a reduction of at least 10% of Executive's base salary (unless pursuant to a salary reduction program applicable generally to the Company's similarly situated employees); or (b) a material reduction in Executive's duties (including responsibilities and/or authorities), *provided, however,* changes that result solely from the Company becoming a subsidiary or a division of an acquiring company in connection with a Change in Control will not be deemed a "material reduction" in and of itself unless Executive's new duties are materially reduced from the prior duties; or (c) a material reduction in Executive's target bonus, which the parties agree is a reduction of at least 10% of Executive's target bonus (unless pursuant to an overall reduction program applicable generally to the Company's similarly situated employees); or (d) a material breach by the Company of this Agreement. In order to resign for Good Reason, Executive must provide written notice to the Board within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for Executive's resignation, allow the Company at least 30 days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, Executive must resign from all positions Executive then holds with the Company not later than 90 days after the expiration of the cure period.

(i) **Disability.** For purposes of this Agreement, “**Disability**” shall have the meaning set forth in Holdings’ 2021 Equity Incentive Plan.

(ii) **Change in Control.** For purposes of this Agreement, “**Change in Control**” shall have the meaning set forth in Holdings’ 2021 Equity Incentive Plan.

9. Proprietary Information Obligations.

9.1 Confidential Information Agreement. Executive acknowledges Executive’s continuing obligations pursuant to the At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement that Executive entered into with the Company, dated on or around the date of the Existing Agreement (the “**Confidentiality Agreement**”). In the event of a conflict between the terms of this Agreement and the Confidentiality Agreement, this Agreement shall control.

9.2 Third-Party Agreements and Information. Executive represents and warrants that Executive’s employment by the Company does not conflict with any prior employment or consulting agreement or other agreement with any third party, and that Executive will perform Executive’s duties to the Company without violating any such agreement. Executive represents and warrants that Executive does not possess confidential information arising out of prior employment, consulting, or other third party relationships, that would be used in connection with Executive’s employment by the Company, except as expressly authorized by that third party. During Executive’s employment by the Company, Executive will use in the performance of Executive’s duties only information which is generally known and used by persons with training and experience comparable to Executive’s own, common knowledge in the industry, otherwise legally in the public domain, or obtained or developed by the Company or by Executive in the course of Executive’s work for the Company.

10. Outside Activities During Employment.

10.1 Non-Company Business. Executive will not during the term of Executive’s employment with the Company undertake or engage in any activity that materially interferes or creates a conflict of interest with the performance of Executive’s duties hereunder.

10.2 No Adverse Interests. Executive agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise.

11. Dispute Resolution. To ensure the timely and economical resolution of disputes that may arise in connection with Executive’s employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, the Confidentiality Agreement, or Executive’s employment, or the termination of Executive’s employment, including but not limited to all statutory claims, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1- 16, and to the fullest extent permitted by law, by final, binding and confidential arbitration

by a single arbitrator conducted in New York, New York by Judicial Arbitration and Mediation Services Inc. (“JAMS”) under the then applicable JAMS rules appropriate to the relief being sought (the applicable rules are available at the following web addresses:

(i) <https://www.jamsadr.com/rules-employment-arbitration/> and (ii) <https://www.jamsadr.com/rules-comprehensive-arbitration/>); provided, however, this arbitration provision shall not apply to sexual harassment and discrimination claims to the extent prohibited by applicable law that are not preempted by the Federal Arbitration Act (“**Excluded Claims**”). A hard copy of the rules will be provided to Executive upon request. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. In addition, all claims, disputes, or causes of action under this provision, whether by Executive or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The Arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this agreement, if challenged by either party, shall be decided by a federal court located in the State of New York. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Executive and the Company shall equally share all JAMS’ arbitration fees. To the extent JAMS does not collect or Executive otherwise does not pay to JAMS an equal share of all JAMS’ arbitration fees for any reason, and the Company pays JAMS Executive’s share, Executive acknowledges and agrees that the Company shall be entitled to recover from Executive half of the JAMS arbitration fees invoiced to the parties (less any amounts Executive paid to JAMS) in a federal or state court of competent jurisdiction. Each party is responsible for its own attorneys’ fees, except as expressly set forth in Executive’s Confidentiality Agreement. Nothing in this letter agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any rendering of any portion of this arbitration provision void or unenforceable, as determined by a court of competent jurisdiction, shall not affect the validity of the remainder of the arbitration provision. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction. To the extent a New York federal court determines that any applicable law prohibits mandatory arbitration of Excluded Claims, if Executive intends to bring multiple claims, including one or more Excluded Claims, the Excluded Claim(s) may be publicly filed with a court, while any other claims will remain subject to mandatory arbitration.

12. Section 280G Matters.

12.1 If any payment or benefit Executive will or may receive from the Company or otherwise (a **280G Payment**) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (ii) but for this Section, be subject to the excise tax imposed by Section 4999 of the Code (the **“Excise Tax”**), then any such 280G Payment provided pursuant to this Agreement (a **“Payment”**) shall be equal to the Reduced Amount. The **“Reduced Amount”** shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive’s receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the **“Reduction Method”**) that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the **“Pro Rata Reduction Method”**).

12.2 Notwithstanding any provision of this Section 12 to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are “deferred compensation” within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

12.3 The Company shall appoint a nationally-recognized accounting, consulting or law firm to make the determinations required by this Section 12. The Company shall bear all expenses with respect to the determinations by such firm required to be made hereunder.

12.4 If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 12(i)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was

determined pursuant to clause (y) of Section 12(i), Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

13. General Provisions.

13.1 Notices. Any notices provided must be in writing and will be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the next day after sending by overnight carrier, to the Company at its primary office location and to Executive at the address as listed on the Company payroll.

13.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the extent possible in keeping with the intent of the parties.

13.3 Waiver. Any waiver of any breach of any provisions of this Agreement must be in writing to be effective, and it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13.4 Complete Agreement. This Agreement, together with the Confidentiality Agreement, constitutes the entire agreement between Executive and the Company with regard to this subject matter and is the complete, final, and exclusive embodiment of the Parties' agreement with regard to this subject matter. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including the Existing Agreement. It is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in a writing signed by a duly authorized officer of the Company.

13.5 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

13.6 Headings. The headings of the paragraphs hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

13.7 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign any of Executive's duties hereunder and Executive may not assign any of Executive's rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.

13.8 Tax Withholding and Indemnification. All payments and awards contemplated or made pursuant to this Agreement will be subject to withholdings of applicable taxes in compliance with all relevant laws and regulations of all appropriate government authorities. Executive acknowledges and agrees that the Company has neither made any assurances nor any guarantees concerning the tax treatment of any payments or awards contemplated by or made pursuant to this Agreement. Executive has had the opportunity to retain a tax and financial advisor and fully understands the tax and economic consequences of all payments and awards made pursuant to the Agreement.

13.9 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year written below.

DIGITALOCEAN, LLC

By: /s/ Yancey Spruill
Name: Yancey Spruill
Title: President & CEO

Date: 3/9/2021

EXECUTIVE

/s/ Alan Shapiro Alan Shapiro

Date: 3/10/2021

DIGITALOCEAN, LLC
101 AVENUE OF THE AMERICAS, 10TH FLOOR NEW YORK, NY 10013

EMPLOYMENT AGREEMENT

This Employment Agreement (the “**Agreement**”) is entered into on September 10, 2021 (the “**Effective Date**”) by and between **DigitalOcean, LLC** (collectively, the “**Company**”) and Gabe Monroy (the “**Executive**”) (collectively, the “**Parties**”).

WHEREAS, the Company and Executive desire to set forth the terms upon which the Executive will continue Executive’s employment with the Company;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1. Employment by the Company.

1.1 Position. Effective with your start date of October 18, 2021, your initial title will be Chief Product Officer. Executive shall perform such duties as are required by the Chief Executive Officer to whom Executive will report, or by such other person(s) as that person may designate. During the term of Executive’s employment with the Company, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention to the business of the Company, except for approved time off permitted by the Company’s general employment policies.

1.2 Policies and Procedures. The employment relationship between the Parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Compensation.

2.1 Base Salary. For services to be rendered hereunder, Executive shall receive a base salary at the rate of three hundred seventy five thousand dollars (\$375,000) per year (as modified from time-to-time, the “**Base Salary**”), subject to standard payroll deductions and withholdings and payable in accordance with the Company’s regular payroll schedule. Executive shall also receive a one-time lump sum sign-on bonus equal to one hundred thousand dollars (\$100,000) subject to standard payroll deductions and withholdings. The sign-on bonus is payable within 30 days of Executive’s start date. If Executive’s employment is terminated voluntarily or for Cause within 12 months of the start date then Executive agrees to reimburse Company for a pro rata percentage of the sign-on bonus.

2.2 Annual Bonus. Executive will be eligible for an annual discretionary cash bonus of up to sixty percent (60%) of Executive’s Base Salary (the

“Annual Bonus”). Whether Executive receives an Annual Bonus for any given year, and the amount of any such Annual Bonus, will be determined by the Board of Directors (the **“Board”**) of DigitalOcean Holdings, Inc. (**“Holdings”**) (or the Compensation Committee of the Board) based upon the Company’s and Executive’s achievement of objectives and milestones to be determined on an annual basis. For calendar year 2021, you will be eligible to receive the full year bonus, not a pro rata percentage based on start date. Any Annual Bonus that is awarded will be paid within the first ninety (90) days of the calendar year following the applicable bonus year. Except for a Change in Control Annual Bonus (as defined below) payment, Executive will not be eligible for, and will not earn, any Annual Bonus (including a prorated bonus) if Executive’s employment terminates for any reason before the payment date.

2.3 Equity Compensation. Pursuant to the 2021 Equity Incentive Plan (such plan or any successor plan, the **“Plan”**), Executive shall receive a grant of restricted stock units (**“RSUs”**) in an amount equal to \$7,500,000. The actual number of RSUs granted to Executive will be calculated based on the stock price of DigitalOcean Holdings, Inc. on the New York Stock Exchange prior to the date of grant. The RSUs will have a four-year vesting schedule and the other terms and conditions shall be consistent with the Plan and the applicable RSU agreement. Executive shall also be eligible to participate in the long-term equity performance plan along with the other members of the Company’s executive team. Such long-term equity performance plan is administered by the Compensation Committee and Board of Directors of DigitalOcean Holdings, Inc. in their sole discretion and they shall determine the terms and conditions of such plan. With respect to calendar year 2022, the dollar value of the grant to be made to Executive at the time of grant pursuant to the long-term equity performance plan shall be no less than \$2,300,000 at target performance; provided, however, that the ultimate dollar value of such grant may be lower or higher than such target dollar value amount based on the performance criteria relevant to such grant and the number of RSUs that ultimately vest over the vesting period. For grants made pursuant to such plan subsequent to calendar year 2022, the target grant value and the other terms and conditions relevant to such plan shall be determined by the Compensation Committee and Board of Directors at such time.

3. Standard Company Benefits. Executive shall be entitled to participate in all employee benefit programs for which Executive is eligible under the terms and conditions of the benefit plans that may be in effect from time to time and provided by the Company to its employees. The Company reserves the right to cancel or change the benefit plans or programs it offers to its employees at any time.

4. Expenses. The Company will reimburse Executive for reasonable travel, entertainment or other expenses incurred by Executive in furtherance or in connection with the performance of Executive’s duties hereunder, in accordance with the Company’s expense reimbursement policy as in effect from time to time.

5. Termination of Employment; Severance

5.1 At-Will Employment. Executive's employment relationship is at- will. Either Executive or the Company may terminate the employment relationship at any time, with or without cause or advance notice.

5.2 Termination Without Cause; Resignation for Good Reason.

(i) The Company may terminate Executive's employment with the Company at any time without Cause (as defined below). Further, Executive may resign at any time for Good Reason (as defined below).

(ii) In the event Executive's employment with the Company is terminated by the Company without Cause, or Executive resigns for Good Reason, then provided such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), and provided that Executive remains in compliance with the terms of this Agreement, the Company shall provide Executive with the following severance benefits:

(a) The Company shall pay Executive, as severance, six (6) months of Base Salary, subject to standard payroll deductions and withholdings (the "**Severance**"). The Severance will be paid in equal installments on the Company's regular payroll schedule over the six (6) month period following Executive's Separation from Service; *provided, however*, that no payments will be made prior to the 60th day following Executive's Separation from Service. On the 60th day following Executive's Separation from Service, the Company will pay Executive in a lump sum the Severance that Executive would have received on or prior to such date under the standard payroll schedule but for the delay while waiting for the 60th day in compliance with the Internal Revenue Code (the "**Code**") Section 409A, with the balance of the Severance being paid as originally scheduled.

(b) Provided Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums to continue Executive's coverage (including coverage for eligible dependents, if applicable) ("**COBRA Premiums**") through the period (the "**COBRA Premium Period**") starting on Executive's Separation from Service and ending on the earliest to occur of: (i) six (6) months following Executive's Separation from Service; (ii) the date Executive becomes eligible for group health insurance coverage through a new employer; or (iii) the date Executive ceases to be eligible for COBRA continuation coverage for any reason, including plan termination. In the event Executive becomes covered under another employer's group health plan or otherwise ceases to be eligible for COBRA during the COBRA Premium Period, Executive must immediately notify the Company of such event. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the COBRA Premiums without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall pay to Executive, on the first day of each calendar month, a fully

taxable cash payment equal to the applicable COBRA premiums for that month (including premiums for Executive and Executive's eligible dependents who have elected and remain enrolled in such COBRA coverage), subject to applicable tax withholdings (such amount, the "**Special Cash Payment**"), for the remainder of the COBRA Premium Period. Executive may, but is not obligated to, use such Special Cash Payments toward the cost of COBRA premiums.

(iii) If the Company terminates Executive's employment with the Company without Cause, or Executive resigns for Good Reason, in either case within three months prior to or twelve (12) months following the closing of a Change in Control (as defined below), then instead of the severance benefits provided in Section 5.2(ii) above, the Company shall provide Executive with the following severance benefits:

(a) The Company shall pay Executive, as severance, twelve (12) months of Base Salary, subject to standard payroll deductions and withholdings (the "**Change in Control Severance**"). The Change in Control Severance will be paid in a single lump sum within sixty (60) days following Executive's termination of employment; *provided, however*, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Change in Control Severance shall be paid in the second calendar year by the last day of such 60-day period. Notwithstanding the foregoing, if such termination occurs prior to a Change in Control, the Change in Control Severance shall commence to be paid in installments in accordance with Section 5.2(ii) above, and upon the occurrence of such Change in Control, the remainder of the Change in Control Severance shall be payable in a lump sum in accordance with this section.

(b) Provided Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums to continue Executive's coverage (including coverage for eligible dependents, if applicable) ("**Change in Control COBRA Premiums**") through the period (the "**Change in Control COBRA Premium Period**") starting on Executive's termination of employment and ending on the earliest to occur of: (i) 12 months following Executive's termination of employment; (ii) the date Executive becomes eligible for group health insurance coverage through a new employer; or (iii) the date Executive ceases to be eligible for COBRA continuation coverage for any reason, including plan termination. In the event Executive becomes covered under another employer's group health plan or otherwise ceases to be eligible for COBRA during the Change in Control COBRA Premium Period, Executive must immediately notify the Company of such event. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the Change in Control COBRA Premiums without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall pay to Executive, the Special Cash Payment for the remainder of the Change in Control COBRA Premium Period. Executive may, but is not obligated to, use such Special Cash Payments toward the cost of Change in Control COBRA Premiums.

(c) The Company shall pay Executive, as a bonus, one hundred percent (100%) of Executive's Annual Bonus in effect as of the date of Executive's employment termination for the fiscal year in which the termination of

employment occurs (the “**Change in Control Annual Bonus**”). The Change in Control Annual Bonus will be subject to standard payroll deductions and withholdings and will be paid in a single lump sum within sixty (60) days following Executive’s termination of employment; *provided, however*, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Change in Control Annual Bonus shall be paid in the second calendar year by the last day of such 60-day period.

(d) (i) One hundred percent (100%) of all outstanding equity awards in Holdings, held by Executive immediately prior to the employment termination date (if any) subject to time-based vesting requirements, shall be accelerated in full as of the effective date of the Separation Agreement (as defined below); and (ii) the vesting and exercisability of all outstanding equity awards subject to performance-based vesting will be treated as set forth in Executive’s equity award agreement governing such award.

5.3 Death or Disability.

(i) Upon fourteen (14) days prior written notice from the Company, in the event of Disability (as defined below), Executive’s employment shall terminate and Executive shall be entitled to: (a) the severance benefits set forth in Section 5.2(ii)(a); (b) if eligible based on the terms set forth in the award agreements governing Executive’s equity pursuant to Holdings’ 2021 Equity Incentive Plan, acceleration of all of Executive’s outstanding equity awards in Holdings; and (c) Executive will not be entitled to any other severance benefits set forth herein.

(ii) In the event of Executive’s death, Executive’s employment with the Company shall automatically terminate and the Company shall provide Executive’s estate with the following severance benefits: (a) the severance benefits set forth in Section 5.2(ii)(a); (b) if eligible based on the terms set forth in the award agreements governing Executive’s equity pursuant to Holdings’ 2021 Equity Incentive Plan, acceleration of all of Executive’s outstanding equity awards in Holdings; and (c) Executive will not be entitled to any other severance benefits set forth herein.

5.4 Termination for Cause; Resignation Without Good Reason.

(i) The Company may terminate Executive’s employment with the Company at any time for Cause. Further, Executive may resign at any time without Good Reason.

(ii) If Executive resigns without Good Reason, or the Company terminates Executive’s employment for Cause, then (a) Executive will no longer vest in any Holdings’ equity awards granted to Executive, (b) all payments of compensation by the Company to Executive hereunder will terminate immediately (except as to amounts already earned), and (c) Executive will not be entitled to any severance benefits set forth herein.

6. Conditions to Receipt of Severance Benefits. The receipt of the severance benefits set forth herein will be subject to Executive (or a representative from

Executive's estate in the event of Executive's death) signing and not revoking a separation agreement and release of claims in a form satisfactory to the Company (the "**Separation Agreement**") within a time period specified by the Company. No severance benefits will be paid or provided until the Separation Agreement becomes effective. Executive shall also resign from all positions and terminate any relationships as an employee, advisor, officer or director with the Company and any of its subsidiaries and/or affiliates, each effective on the date of termination.

7. Section 409A. It is intended that all of the severance benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For purposes of Code Section 409A (including without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Executive prior to the earliest of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Paragraph shall be paid in a lump sum to Executive, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

8. Definitions.

(i) Cause. For purposes of this Agreement, "**Cause**" for termination will mean: (a) Executive's unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company; (b) Executive's material breach of any agreement between Executive and the Company; (c) Executive's material failure to comply with the Company's written policies or rules; (d) Executive's conviction or, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state or a similar violation outside the United States; (e) Executive's gross negligence or willful misconduct in connection with Executive's

conduct as an employee of the Company, which causes material harm to the Company; (f) Executive's continuing failure to perform assigned duties after receiving written notification of the failure from the Board; or (g) Executive's failure to cooperate in good faith (as reasonably determined by the Board) with a governmental or internal investigation of the Company or its directors, office, or employees, if the Company has reasonably requested Executive's cooperation.

(ii) **Good Reason.** For purposes of this Agreement, Executive shall have "**Good Reason**" for resignation from employment with the Company if any of the following actions are taken by the Company without Executive's prior written consent: (a) a material reduction in Executive's base salary, which the parties agree is a reduction of at least 10% of Executive's base salary (unless pursuant to a salary reduction program applicable generally to the Company's similarly situated employees); or (b) a material reduction in Executive's duties (including responsibilities and/or authorities), *provided, however,* changes that result solely from the Company becoming a subsidiary or a division of an acquiring company in connection with a Change in Control will not be deemed a "material reduction" in and of itself unless Executive's new duties are materially reduced from the prior duties; or (c) a material reduction in Executive's target bonus, which the parties agree is a reduction of at least 10% of Executive's target bonus (unless pursuant to an overall reduction program applicable generally to the Company's similarly situated employees); or (d) a material breach by the Company of this Agreement. In order to resign for Good Reason, Executive must provide written notice to the Board within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for Executive's resignation, allow the Company at least 30 days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, Executive must resign from all positions Executive then holds with the Company not later than 90 days after the expiration of the cure period.

(iii) **Disability.** For purposes of this Agreement, "**Disability**" shall have the meaning set forth in Holdings' 2021 Equity Incentive Plan.

(iv) **Change in Control.** For purposes of this Agreement, "**Change in Control**" shall have the meaning set forth in Holdings' 2021 Equity Incentive Plan.

9. Proprietary Information Obligations.

9.1 Confidential Information Agreement. Executive acknowledges Executive's continuing obligations pursuant to the At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement that Executive entered into with the Company, dated as of the date of the Existing Agreement (the "**Confidentiality Agreement**"). In the event of a conflict between the terms of this Agreement and the Confidentiality Agreement, this Agreement shall control.

9.2 Third-Party Agreements and Information. Executive represents and warrants that Executive's employment by the Company does not conflict with any prior employment or consulting agreement or other agreement with any third party, and that Executive will perform Executive's duties to the Company without violating any such

agreement. Executive represents and warrants that Executive does not possess confidential information arising out of prior employment, consulting, or other third party relationships, that would be used in connection with Executive's employment by the Company, except as expressly authorized by that third party. During Executive's employment by the Company, Executive will use in the performance of Executive's duties only information which is generally known and used by persons with training and experience comparable to Executive's own, common knowledge in the industry, otherwise legally in the public domain, or obtained or developed by the Company or by Executive in the course of Executive's work for the Company.

10. Outside Activities During Employment.

10.1 Non-Company Business. Executive will not during the term of Executive's employment with the Company undertake or engage in any activity that materially interferes or creates a conflict of interest with the performance of Executive's duties hereunder.

10.2 No Adverse Interests. Executive agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise.

10.3 Outside Advisory Roles. Subject to Section 10.1 and 10.2 above, Company acknowledges that Executive participates in various advisory roles with technology companies from time to time, which participation shall not be deemed a violation of this Agreement. Executive will disclose to the Company such advisory positions as and when they arise.

11. Dispute Resolution. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, the Confidentiality Agreement, or Executive's employment, or the termination of Executive's employment, including but not limited to all statutory claims, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1- 16, and to the fullest extent permitted by law, by final, binding and confidential arbitration by a single arbitrator conducted in New York, New York by Judicial Arbitration and Mediation Services Inc. ("**JAMS**") under the then applicable JAMS rules appropriate to the relief being sought (the applicable rules are available at the following web addresses: (i) <https://www.jamsadr.com/rules-employment-arbitration/> and (ii) <https://www.jamsadr.com/rules-comprehensive-arbitration/>); provided, however, this arbitration provision shall not apply to sexual harassment and discrimination claims to the extent prohibited by applicable law that are not preempted by the Federal Arbitration Act ("**Excluded Claims**"). A hard copy of the rules will be provided to Executive upon request. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. In addition, all claims, disputes, or causes of action under this provision, whether by Executive or the Company, must be brought in an individual capacity, and

shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The Arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this agreement, if challenged by either party, shall be decided by a federal court located in the State of New York. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Executive and the Company shall equally share all JAMS' arbitration fees. To the extent JAMS does not collect or Executive otherwise does not pay to JAMS an equal share of all JAMS' arbitration fees for any reason, and the Company pays JAMS Executive's share, Executive acknowledges and agrees that the Company shall be entitled to recover from Executive half of the JAMS arbitration fees invoiced to the parties (less any amounts Executive paid to JAMS) in a federal or state court of competent jurisdiction. Each party is responsible for its own attorneys' fees, except as expressly set forth in Executive's Confidentiality Agreement. Nothing in this letter agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any rendering of any portion of this arbitration provision void or unenforceable, as determined by a court of competent jurisdiction, shall not affect the validity of the remainder of the arbitration provision. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction. To the extent a New York federal court determines that any applicable law prohibits mandatory arbitration of Excluded Claims, if Executive intends to bring multiple claims, including one or more Excluded Claims, the Excluded Claim(s) may be publicly filed with a court, while any other claims will remain subject to mandatory arbitration.

12. Section 280G Matters.

12.1 If any payment or benefit Executive will or may receive from the Company or otherwise (**a 280G Payment**) would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this Section, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment provided pursuant to this Agreement (a "**Payment**") shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking

into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

12.2 Notwithstanding any provision of this Section 12 to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

12.3 The Company shall appoint a nationally-recognized accounting, consulting or law firm to make the determinations required by this Section 12. The Company shall bear all expenses with respect to the determinations by such firm required to be made hereunder.

12.4 If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 12(i)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 12(i), Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

13. General Provisions.

13.1 Notices. Any notices provided must be in writing and will be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the next day after sending by overnight carrier, to the Company at its primary office location and to Executive at the address as listed on the Company payroll.

13.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if

any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the extent possible in keeping with the intent of the parties.

13.3 Waiver. Any waiver of any breach of any provisions of this Agreement must be in writing to be effective, and it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13.4 Complete Agreement. This Agreement, together with the Confidentiality Agreement, constitutes the entire agreement between Executive and the Company with regard to this subject matter and is the complete, final, and exclusive embodiment of the Parties' agreement with regard to this subject matter. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including the Existing Agreement. It is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in a writing signed by a duly authorized officer of the Company.

13.5 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

13.6 Headings. The headings of the paragraphs hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

13.7 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign any of Executive's duties hereunder and Executive may not assign any of Executive's rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.

13.8 Tax Withholding and Indemnification. All payments and awards contemplated or made pursuant to this Agreement will be subject to withholdings of applicable taxes in compliance with all relevant laws and regulations of all appropriate government authorities. Executive acknowledges and agrees that the Company has neither made any assurances nor any guarantees concerning the tax treatment of any payments or awards contemplated by or made pursuant to this Agreement. Executive has had the opportunity to retain a tax and financial advisor and fully understands the tax and economic consequences of all payments and awards made pursuant to the Agreement.

13.9 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year written below

DIGITALOCEAN, LLC

By: /s/ Alan Shapiro
Name: Alan Shapiro
Title: General Counsel

Date: 9/10/2021

EXECUTIVE

/s/ Gabe Monroy Gabe Monroy

Date: 09/10/2021

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yancey Spruill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DigitalOcean Holdings, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

By: /s/ Yancey Spruill

Name: Yancey Spruill

Title: Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William Sorenson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DigitalOcean Holdings, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

By: /s/ William Sorenson

Name: William Sorenson

Title: Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yancey Spruill, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of DigitalOcean Holdings, Inc. for the fiscal quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of DigitalOcean Holdings, Inc.

Date: May 5, 2022

By: /s/ Yancey Spruill

Name: Yancey Spruill

Title: Chief Executive Officer

I, William Sorenson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of DigitalOcean Holdings, Inc. for the fiscal quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of DigitalOcean Holdings, Inc.

Date: May 5, 2022

By: /s/ William Sorenson

Name: William Sorenson

Title: Chief Financial Officer