REFINITIV

DELTA REPORT

10-Q

RNG - RINGCENTRAL, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1371
CHANGES	216
DELETIONS	539
ADDITIONS	616

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, 2024 June 30, 2024

OR

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

For the transition period from __________to __________

Commission File Number: 001-36089

RingCentral, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**94-3322844**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

20 Davis Drive
Belmont, California 94002
(Address of principal executive offices) (Zip Code)

(650) 472-4100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock par value $0.0001	RNG	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 x No o

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 x No o

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

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of May 1, 2024 July 25, 2024, there were 82,249,651 81,895,439 shares of Class A Common Stock issued and outstanding and 9,924,538 shares of Class B Common Stock issued and outstanding.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in, but not limited to, the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates", "believes", "could", "seeks", "estimates", "expects", "intends", "may", "plans", "potential", "predicts", "projects", "should", "will", "would" or similar expressions and the negatives of those terms. Forward-looking statements include, but are not limited to, statements about:

- our progress against short-term and long-term goals;
- our future financial performance;
- our anticipated growth, growth strategies and our ability to effectively manage that growth and effect these strategies;
- our success in our target market segments;
- anticipated trends, developments and challenges in our business and in the markets in which we operate, as well as general macroeconomic conditions and geopolitical conflicts;
- our ability to scale to our desired goals, particularly the implementation of new processes and systems and the addition to increasing and on-boarding our workforce;
- the impact of competition in our industry and innovation by our competitors;
- our ability to anticipate and adapt to future changes in our industry;
- our ability to predict subscriptions revenues, formulate accurate financial projections, manage debt expense, and make strategic business decisions based on our analysis of market trends;
- our ability to anticipate market needs and develop new and enhanced solutions and subscriptions to meet those needs, and our ability to successfully monetize them;
- our ability to successfully incorporate artificial intelligence (AI) and machine learning powered features into our solutions;

- maintaining and expanding our customer base;
- maintaining, expanding and responding to changes in our relationships with other companies;
- maintaining and expanding our distribution channels, including our network of sales agents and resellers, and our strategic partnerships;
- our success with our strategic partners, and global service providers;
- our ability to sell, market, and support our solutions and services;
- our ability services, domestically and internationally, and continue to sell and expand our business to larger with enterprise customers as well as expanding domestically and internationally; within our key vertical markets;
- our ability to realize increased purchasing leverage and economies of scale as we expand;
- the impact of seasonality on our business;
- the impact of any failure of our solutions or solution innovations, including our innovations relating to AI;
- our reliance dependency on third-party vendors of hardware, software and services that we resell to our third-party product customers and service providers; our ability to effectively offer customers an alternate solution;
- the potential effect on our business of litigation to which we may become a party;
- our liquidity and working capital requirements;
- the impact of changes in the regulatory environment including with respect to AI;
- our ability to protect our intellectual property and rely on open source licenses;
- our expectations regarding the growth and reliability of the internet infrastructure;
- the timing of acquisitions of, or making and exiting investments in, other entities, businesses or technologies;
- our ability to successfully and timely execute on, integrate, and realize the benefits of any acquisition, investment, strategic partnership, or other strategic transaction we may make or undertake;
- our capital expenditure projections;
- our capital allocation plans, including expected allocations of cash and timing for any share repurchases, debt repayments, and other investments;
- our Credit Agreement, including both the Term Loan and the Revolving Credit Facility (each as defined below);
- our ability to comply with the operational and financial covenants in our debt agreements;
- the estimates and estimate methodologies used in preparing our condensed consolidated financial statements;
- the political environment and stability in the regions in which we or our subcontractors operate;
- the impact of economic downturns on us and our customers;
- our ability to defend our systems and our customer information from fraud, social engineering breaches, and cyber-attack;
- our ability to prevent the use of fraudulent payment methods for our solutions;
- our ability to retain key employees and to attract qualified personnel;
- our ability to successfully implement our plans for reductions in workforce or otherwise achieve the our anticipated cost reductions; and
- the impact of foreign currencies on our non-U.S. business as we expand our business internationally.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be significantly different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be significantly different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ significantly from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Assets	**Assets**	**Assets**
Current assets	**Current assets**	**Current assets**
Cash and cash equivalents		
Accounts receivable, net		
Deferred and prepaid sales commission costs		
Prepaid expenses and other current assets		
Total current assets		
Property and equipment, net		
Operating lease right-of-use assets		
Deferred and prepaid sales commission costs, non-current		
Goodwill		
Acquired intangibles, net		
Other assets		
Total assets		
Liabilities, Temporary Equity, and Stockholders’ Deficit		
Current liabilities		
Current liabilities		
Current liabilities		
Accounts payable		
Accounts payable		
Accounts payable		
Accrued liabilities		
Current portion of long-term debt, net		
Deferred revenue		
Total current liabilities		
Long-term debt, net		
Operating lease liabilities		
Other long-term liabilities		
Total liabilities		
Commitments and contingencies (Note 9)		
Commitments and contingencies (Note 9)		
Commitments and contingencies (Note 9)		
Commitments and contingencies (Note 10)		
Commitments and contingencies (Note 10)		
Commitments and contingencies (Note 10)		
Series A convertible preferred stock		
Series A convertible preferred stock		
Series A convertible preferred stock		
Stockholders’ deficit		
Stockholders’ deficit		
Stockholders’ deficit		
Common stock		

Common stock	
Common stock	
Additional paid-in capital	
Accumulated other comprehensive loss	
Accumulated deficit	
Total stockholders’ deficit	
Total liabilities, temporary equity and stockholders’ deficit	

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

Three Months Ended March 31,
Three Months Ended March 31,
Three Months Ended March 31,

	Three Months Ended June 30,			Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
Revenues	**Revenues**	**Revenues**					
Subscriptions							
Other							
Total revenues							
Cost of revenues							
Subscriptions							
Subscriptions							
Subscriptions							
Other							
Total cost of revenues							
Gross profit							
Operating expenses							
Research and development							
Research and development							
Research and development							
Sales and marketing							
General and administrative							
Total operating expenses							
Loss from operations							
Other income (expense), net							
Interest expense							
Interest expense							
Interest expense							
Other income							
Other income (expense), net							
Loss before income taxes							
Provision for income taxes							
Net loss							
Net loss per common share							

Basic and diluted
Basic and diluted
Basic and diluted
Weighted-average number of shares used in computing net loss per share
Weighted-average number of shares used in computing net loss per share
Weighted-average number of shares used in computing net loss per share
Basic and diluted
Basic and diluted
Basic and diluted

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,						
	Three Months Ended June 30,		Six Months Ended June 30,				
	2024	2024	2023	2024	2023	2024	2023
Net loss							
Other comprehensive income (loss)							
Foreign currency translation adjustments							
Foreign currency translation adjustments							
Foreign currency translation adjustments							
Unrealized gain on derivative instruments							
Total other comprehensive income							
Total other comprehensive income							
Total other comprehensive income							
Comprehensive loss							

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited, in thousands)

	Common Stock Shares Shares Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
Balance as of December 31, 2023											
Balance as of December 31, 2023											
Balance as of December 31, 2023											
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings											

Issuance of common stock in connection with strategic partnership arrangement											
Repurchases of common stock											
Share-based compensation											
Other comprehensive income											
Net loss											
Balance as of March 31, 2024											
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings											
Repurchases of common stock											
Repurchases of common stock											
Repurchases of common stock											
Share-based compensation											
Other comprehensive income											
Net loss											
Balance as of June 30, 2024											

	Common Stock Shares Shares Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
Balance as of December 31, 2022											
Balance as of December 31, 2022											
Balance as of December 31, 2022											
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings											
Issuance of common stock in connection with strategic partnership arrangement											
Repurchases of common stock											
Share-based compensation											
Other comprehensive income											
Net loss											
Balance as of March 31, 2023											
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings											
Issuance of common stock in connection with strategic partnership arrangement											
Repurchases of common stock											
Share-based compensation											
Other comprehensive income											
Net loss											
Balance as of June 30, 2023											

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,			Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Cash flows from operating activities	**Cash flows from operating activities**		**Cash flows from operating activities**		
Net loss					
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization					
Share-based compensation					
Unrealized loss on investments					
Amortization of deferred and prepaid sales commission costs					
Amortization of debt discount and issuance costs					
Reduction of operating lease right-of-use assets					
Reduction of operating lease right-of-use assets					
Gain on early extinguishment of debt					
Reduction of operating lease right-of-use assets					
Provision for bad debt					
Other					
Changes in assets and liabilities:					
Accounts receivable					
Accounts receivable					
Accounts receivable					
Deferred and prepaid sales commission costs					
Prepaid expenses and other assets					
Accounts payable					
Accrued and other liabilities					
Deferred revenue					
Operating lease liabilities					
Net cash provided by operating activities					
Cash flows from investing activities					
Purchases of property and equipment					
Purchases of property and equipment					
Purchases of property and equipment					
Capitalized internal-use software					
Net cash used in investing activities					
Net cash used in investing activities					
Cash paid for business combination, net of cash acquired					
Net cash used in investing activities					
Cash flows from financing activities					
Proceeds from issuance of stock in connection with stock plans					
Proceeds from issuance of stock in connection with stock plans					
Proceeds from issuance of stock in connection with stock plans					
Payments for taxes related to net share settlement of equity awards					
Payments for repurchases of common stock					
Proceeds from issuance of long-term debt, net of issuance costs					
Payments for the repurchase of convertible notes					
Payments for fees on long-term debt					
Payments for fees on long-term debt					
Payments for fees on long-term debt					

Repayments of principal on long-term debt
Repayments of principal on long-term debt
Repayments of principal on long-term debt
Repayments for financing obligations
Payments for contingent consideration
Net cash used in financing activities
Effect of exchange rate changes
Net increase (decrease) in cash, cash equivalents, and restricted cash
Net decrease in cash, cash equivalents, and restricted cash
Cash, cash equivalents, and restricted cash
Beginning of period
Beginning of period
Beginning of period
End of period
Supplemental disclosure of cash flow data:
Cash paid for interest, net of interest rate swap
Cash paid for interest, net of interest rate swap
Cash paid for interest, net of interest rate swap
Cash paid for income taxes, net of refunds
Non-cash investing and financing activities
Common stock issued in connection with strategic partnership arrangement
Common stock issued in connection with strategic partnership arrangement
Common stock issued in connection with strategic partnership arrangement
Equipment and capitalized internal-use software purchased and unpaid at period end
Acquisition of intangibles
Acquisition of intangibles
Acquisition of intangibles
Equipment acquired under financing obligations

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

RingCentral, Inc. (the “Company”) is a leading provider of AI-driven global enterprise cloud business communications, video meetings, collaboration, and contact center, software-as-a-service video, and hybrid event solutions. The Company was incorporated in California in 1999 and was reincorporated in Delaware on September 26, 2013.

Basis of Presentation and Consolidation

The Company’s unaudited condensed consolidated financial statements and accompanying notes reflect all adjustments (all of which are normal, recurring in nature and those discussed in these notes) that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2024. Certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) have been condensed or omitted under the rules and regulations of the Securities and Exchange Commission (“SEC”).

The unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 22, 2024, as amended on April 24, 2024.

The Company’s significant accounting policies are described in Company’s Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes to these policies that have had a material impact on the condensed consolidated financial statements and related notes for the three and six months ended March 31, 2024 June 30, 2024.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, the allowance for doubtful accounts, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, derivative instruments, provision for income taxes, uncertain tax positions, valuation of contingent consideration, loss contingencies, sales tax liabilities and accrued liabilities. Management periodically evaluates these estimates and will make adjustments prospectively based upon the results of such periodic evaluations. Actual results may differ from these estimates.

Segment Information

The Company has determined that the chief executive officer is the chief operating decision maker. The Company's chief executive officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. Accordingly, the Company has determined that it operates in a single reportable segment.

Concentrations

As of March 31, 2024 June 30, 2024 and December 31, 2023, none of the Company's customers accounted for more than 10% of the Company's total accounts receivable.

Long-lived assets by geographic location is are based on the location of the legal entity that owns the asset. As of March 31, 2024 June 30, 2024 and December 31, 2023, approximately 93% and 94% of the Company's consolidated long-lived assets were located in the U.S. No other single country outside of the U.S. represented more than 10% of the Company's consolidated long-lived assets as of March 31, 2024 June 30, 2024 and December 31, 2023.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Related Party Transactions

All contracts with related parties are executed in the ordinary course of business. There were no material related party transactions for the three and six months ended March 31, 2024 June 30, 2024 and 2023, and no material amounts payable to or amounts receivable from related parties as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. .

Asset Write-down Charges

Asset write-down charges consist of write-offs related to our assets, including deferred and prepaid sales commission. The Company performs periodic reviews to assess the recoverability of such assets, whenever events or changes in circumstances have occurred that could indicate the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying value of deferred commission asset exceeds the amount of consideration that the Company expects to receive in the future in exchange for goods or services to which the asset relates, less the costs that relate directly to providing those goods or services that have not yet been recognized.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07 *Segment Reporting - Improving Reportable Segment Disclosures (Topic 280)*. The update is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker (CODM) ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures currently required by Topic 280 to be included in interim periods. The update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and requires retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the impact that the updated standard will have on its financial statement disclosures.

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

Note 2. Revenue

The Company derives its revenues primarily from subscriptions, sale of products, and professional services. Revenues are recognized when control is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or products.

Disaggregation of revenue

Revenue by geographic location is based on the billing address of the customer. The following table provides information about disaggregated revenue by primary geographical markets:

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,

		Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
Primary geographical markets	Primary geographical markets				
Primary geographical markets					
Primary geographical markets					
North America					
North America					
North America	North America	90 %	90 %	90 %	90 %
Others					
Others					
Others					
Total revenues	Total revenues	100 %	100 %	100 %	100 %
Total revenues					
Total revenues					

The Company derived over 90% of subscription revenues from RingEX (formally (formerly RingCentral MVP) and RingCentral contact center solutions for the three and six months ended March 31, 2024 June 30, 2024 and 2023. For the three and six months ended March 31, 2024 June 30, 2024 and 2023, RingCentral contact center solutions represented over 10% of total revenues.

Deferred revenue

During the three and six months ended March 31, 2024 June 30, 2024, the Company recognized revenue of $140.8 million $47.3 million and $188.1 million, respectively, that was included in the corresponding deferred revenue balance at the beginning of the year.

Remaining performance obligations

The typical subscription term ranges from one month to five years. Contract revenue as of March 31, 2024 June 30, 2024 that has not yet been recognized was approximately $2.5 billion $2.6 billion. This excludes contracts with an original expected length of less than one year. Of these remaining performance obligations, the Company expects to recognize revenue of 52% of this balance over the next 12 months and 48% thereafter.

Other revenues

Other revenues are primarily comprised of product revenue from the sale of pre-configured phones, and professional services. Product revenues from the sale of pre-configured phones were $13.1 million $12.6 million and $10.2 million $11.5 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $25.7 million and $21.8 million for the six months ended June 30, 2024 and 2023, respectively.

Note 3. Financial Statement Components

Cash and cash equivalents consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Cash		
Money market funds		
Total cash and cash equivalents		

As of March 31, 2024June 30, 2024 and December 31, 2023December 31, 2023, $1.1 million$1.2 million and $1.1 million in the cash balance above, respectively, represents restricted cash, which is held in the form of a bank deposit for issuance of a foreign bank guarantee.

Accounts receivable, net consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Accounts receivable		
Unbilled accounts receivable		
Allowance for doubtful accounts		
Accounts receivable, net		

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

	March 31, 2024	December 31, 2023
Prepaid expenses	$ 33,823	$ 32,440
Inventory	2,089	1,492
Other current assets	35,816	43,464
Total prepaid expenses and other current assets	$ 71,728	$ 77,396

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

	June 30, 2024	December 31, 2023
Prepaid expenses	$ 40,408	$ 32,440
Inventory	1,908	1,492
Other current assets	29,842	43,464
Total prepaid expenses and other current assets	$ 72,158	$ 77,396

	March 31, 2024	December 31, 2023
Computer hardware and software	$ 241,308	$ 238,802
Internal-use software development costs	270,581	255,649
Furniture and fixtures	9,143	8,964
Leasehold improvements	14,295	14,369
Total property and equipment, gross	535,327	517,784
Less: accumulated depreciation and amortization	(352,591)	(333,394)
Property and equipment, net	$ 182,736	$ 184,390

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

	June 30, 2024	December 31, 2023
Computer hardware and software	$ 245,287	$ 238,802
Internal-use software development costs	285,447	255,649
Furniture and fixtures	9,732	8,964
Leasehold improvements	14,278	14,369
Total property and equipment, gross	554,744	517,784
Less: accumulated depreciation and amortization	(372,429)	(333,394)
Property and equipment, net	$ 182,315	$ 184,390

Total depreciation and amortization expense related to property and equipment was $21.7 million $21.6 million and $20.3 million $20.5 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $43.3 million and $40.8 million for the six months ended June 30, 2024 and 2023, respectively.

A summary of activity of the Company's carrying value of goodwill during the three six months ended March 31, 2024 June 30, 2024 is presented in the following table (in thousands):

Balance as of December 31, 2023	$ 67,370
Acquisitions (Note 8)	7,662
Foreign currency translation adjustments	(467) (618)
Balance as of March 31, 2024 June 30, 2024	$ 66,903 74,414

The carrying values of intangible assets are as follows (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023

	Weighted-Average Remaining Useful Life	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Acquired Intangibles, Net	Cost	Accumulated Amortization	Acquired Intangibles, Net	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Acquired Intangibles, Net	Cost	Accumulated Amortization	Acquired Intangibles, Net
Customer relationships															
Developed technology															
Total acquired intangible assets															

During the three six months ended March 31, 2024 June 30, 2024, the Company retired recognized a gross reduction of $50.6 million related to its developed technology assets. This reduction included $28.5 million due to an amended agreement with a strategic partner and $22.1 million attributed to the retirement of fully amortized developed technology. See Note 5 - *Strategic Partnerships*, for additional information regarding our amended agreement with a strategic partner.

Amortization expense from acquired intangible assets for the three months ended March 31, 2024 June 30, 2024 and 2023 was $34.9 million $34.7 million and $37.2 million $37.5 million, respectively, and $69.6 million and $74.7 million for the six months ended June 30, 2024 and 2023, respectively. Amortization of developed technology is included in cost of revenues and amortization of customer relationships is included in sales and marketing expenses in the Condensed Consolidated Statements of Operations.

Estimated amortization expense for acquired intangible assets for the following fiscal years is as follows (in thousands):

2024 (remaining)	$	104,474
2025		138,521
2026		115,448
2027		87
2028 onwards		320
Total estimated amortization expense	$	358,850

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

2024 (remaining)	$	66,730
2025		132,793
2026		110,502
2027		5,147
2028 onwards		7,768
Total estimated amortization expense	$	322,940

Accrued liabilities consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Accrued compensation and benefits		
Accrued sales, use, and telecom related taxes		
Accrued marketing and sales commissions		
Operating lease liabilities, short-term		
Other accrued expenses		
Other accrued expenses		
Other accrued expenses		
Total accrued liabilities		

Deferred and Prepaid Sales Commission Costs

Amortization expense for the deferred and prepaid sales commission costs was $38.6 million $40.5 million and $32.2 million $32.9 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $79.1 million and $65.2 million for the six months ended June 30, 2024 and 2023, respectively. There was no asset write-off or impairment loss in relation to the deferred commissions costs capitalized for the periods presented.

Supplier Financing Obligations

The Company has established financing arrangements with certain third-party financial institutions and participating suppliers to be repaid over different terms ranging up to five years. Some of these financing arrangements are collateralized against property and equipment. As of March 31, 2024 June 30, 2024 and December 31, 2023, the Company's outstanding financing obligations related to such arrangements included in accrued liabilities and other long-term liabilities were $2.9 million $2.4 million and $4.2 million respectively.

Note 4. Fair Value of Financial Instruments

The Company measures and reports certain cash equivalents, including money market funds and certificates of deposit, derivative interest rate swap agreement, and contingent consideration at fair value in accordance with the provisions of the authoritative accounting guidance that addresses fair value measurements. This guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1: Observable inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Other inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are based on management's assumptions, including fair value measurements determined by using pricing models, discounted cash flow methodologies or similar techniques.

The financial instruments carried at fair value were determined using the following inputs (in thousands):

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Fair Value at March 31, 2024	Level 1	Level 2	Level 3
	Fair Value at June 30, 2024	**Level 1**	**Level 2**	**Level 3**
Cash equivalents: Cash equivalents: Cash equivalents:				
Money market funds				
Other assets:				
Other assets:				
Other assets:				
Interest rate swap derivatives				
Interest rate swap derivatives				
Interest rate swap derivatives				
Other long-term liabilities:				
Interest rate swap derivatives				
Interest rate swap derivatives				
Interest rate swap derivatives				
Contingent consideration				
Contingent consideration				
Contingent consideration				

	Fair Value at December 31, 2023	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	$ 108,462	$ 108,462	$ —	$ —
Other assets:				
Interest rate swap derivatives	$ 3,505	$ —	$ 3,505	$ —

Other long-term liabilities:				
Interest rate swap derivatives	$ 6,017	$ —	$ 6,017	$ —
Contingent consideration	$ 7,461	$ —	$ —	$ 7,461

The Company’s other financial instruments, including accounts receivable, other current assets, accounts payable, accrued liabilities and other liabilities, are carried at cost, which approximates fair value due to the relatively short maturity of those instruments.

Fair Value of Long-Term Debt

As of March 31, 2024 June 30, 2024, the fair value of the 0% convertible notes due 2025 (the “2025 Convertible Notes”) was approximately $152.7 million $154.7 million, and the 0% convertible notes due 2026 (the “2026 Convertible Notes”) was approximately $551.2 million. The fair value for these convertible notes was determined based on the quoted price for such notes in an inactive market on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

As of March 31, 2024 June 30, 2024, the carrying amount of the Term Loan was $385.0 million $380.0 million. As there are no embedded features or other variable features, the fair value of the Term Loan approximated its carrying value.

As of March 31, 2024 June 30, 2024, the fair value of the 8.5% senior notes due 2030 (the “2030 Senior Notes”) was approximately $416.0 million $417.6 million. The fair value for the 2030 Senior Notes was determined based on the quoted price for such notes in an inactive market on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

Fair Value of Derivative Instruments

The Company’s interest rate swap derivative, which is considered as Level 2 in the fair value hierarchy, is valued using a discounted cash flow model that utilizes observable inputs including forward interest rate data at the measurement date.

Contingent Consideration

The contingent consideration as presented in the fair-value table above is related to the Company’s acquisition of Hopin in the third quarter of 2023, and represents the future potential earn-out payments based on the achievement of specified performance targets over multiple years, paid quarterly in cash. The fair value of the contingent consideration liability was determined using a Monte Carlo simulation that includes significant unobservable inputs including the discount rate and projected revenues over the earn-out period. This contingent liability was classified as level 3 within the fair value hierarchy. There was no change in the estimated fair value of the contingent consideration during the three and six months ended March 31, 2024 June 30, 2024.

Note 5. Strategic Partnerships

During the second quarter of 2024, the Company and Mitel amended certain terms of their prior strategic arrangement, pursuant to which Mitel became a non-exclusive partner of the Company. In connection with the transaction, there was a release of $28.5 million of unpaid contingent consideration, which was recorded as a reduction to the developed technology intangible assets. The Company also recorded a gain of $7.7 million in other income in the Condensed Consolidated Statements of Operations, pursuant to an amended agreement with one of its strategic partners.

Note 6. Long-Term Debt

The following table sets forth the net carrying amount of the Company's long-term debt (in thousands):

Debt Instrument	Debt Instrument	Maturity Date	March 31, 2024	December 31, 2023	Debt Instrument	Maturity Date	June 30, 2024	December 31, 2023
2025 Convertible Notes								
2026 Convertible Notes								
Term Loan under Credit Agreement (1)								
Revolving Credit Facility under Credit Agreement (2)								
2030 Senior Notes								
Total principal amount								
Less: unamortized debt discount and issuance costs on long-term debt								
Less: current portion of long-term debt, net (3)								
Net carrying amount of long-term debt								

(1) The Company has $75.0 million available for drawdown under the Term Loan as of March 31, 2024 June 30, 2024.

(2) The Company has $225.0 million available for borrowing under the Revolving Credit Facility as of March 31, 2024 June 30, 2024.

(3) The current portion of long-term debt, net as of March 31, 2024 June 30, 2024 relates to $160.9 $161.0 million net carrying amount from the 2025 Convertible Notes, and $20.0 million of expected principal payments due on the Term Loan. The Term Loan requires quarterly principal payments equal to 1.25% of the original $400.0 million aggregate principal amount with balance due at maturity.

The following table sets forth the future minimum principal payments for long-term debt as of March 31, 2024 June 30, 2024 (in thousands):

	2025 Convertible Notes	2025 Convertible Notes	2026 Convertible Notes	Term Loan	2030 Senior Notes	Total	2025 Convertible Notes	2026 Convertible Notes	Term Loan	2030 Senior Notes	Total
2024 remaining											
2025											
2026											
2027											
2028 onwards											
Total principal amount											

2030 Senior Notes

On August 16, 2023, In August 2023, the Company issued $400.0 million aggregate principal amount of the 8.5% senior unsecured notes due 2030 (the "2030 Senior Notes Notes") in a private offering. The total net proceeds from the debt offering, after deducting $5.5 million initial purchase discounts and $2.6 million debt issuance costs, were approximately $391.9 million. The 2030 Senior Notes are senior unsecured obligations of guaranteed by the Company and bear interest at a fixed rate of 8.5% per annum payable semi-annually in arrears on February 15th and August 15th of each year. The 2030 Senior Notes will mature on August 15, 2030, unless redeemed or repurchased earlier, Company's domestic subsidiaries and are subject to the terms certain covenants and conditions set forth redemption provisions outlined in the indenture governing the 2030 Senior Notes (the "Senior Notes Indenture"). indenture. As of March 31, 2024 June 30, 2024, the carrying value of the 2030 Senior Notes, net of unamortized debt discount and issuance costs, was $392.5 million.

$392.7 million, and the Company was in compliance with all covenants under the indenture. The effective interest rate on the 2030 Senior Notes are or will be, was 8.9% as applicable, fully and unconditionally guaranteed on a senior unsecured basis by each of the Company's existing and future domestic subsidiaries that guarantee indebtedness of the Company under the Credit Agreement. June 30, 2024.

The Senior Notes Indenture also requires compliance with certain covenants, including the ability to create certain liens on assets to secure debt, the ability to grant subsidiary guarantees of certain debt without also providing guarantees of the 2030 Senior Notes by such subsidiary and certain change of control transactions, events of default, and other customary provisions. As of March 31, 2024, the Company was in compliance with all covenants under the Senior Notes Indenture.

The Company may redeem the 2030 Senior Notes, in whole or in part, at any time prior to August 15, 2026 at a price equal to 100% of the principal amount thereof plus a "make-whole" premium and accrued and unpaid interest, if any. The Company may redeem the 2030 Senior Notes, in whole or in part, on or after August 15, 2026, at the redemption prices set forth in the Senior Notes Indenture, plus, in each case, accrued and unpaid interest thereon, if any. In addition, at any time prior to August 15, 2026, the Company may, on any one or more occasions, redeem up to 40% of the aggregate principal amount of the 2030 Senior Notes outstanding under the Senior Notes Indenture with the net cash proceeds of one or more equity offerings at a redemption price equal to 108.5% of the principal amount of the 2030 Senior Notes to be redeemed, plus accrued and unpaid interest thereon, if any, so long as 50% of the original aggregate amount of the 2030 Senior Notes remains outstanding immediately after such redemption.

If the Company experiences a change of control triggering event (as defined in the Senior Notes Indenture), holders of the 2030 Senior Notes may require the Company to repurchase the 2030 Senior Notes at a repurchase price equal to 101% of the principal amount of the 2030 Senior Notes to be repurchased, plus accrued and unpaid interest, if any.

Debt issuance costs were capitalized in the Condensed Consolidated Balance Sheets and amortized as interest expense using the effective interest rate method over the term of the 2030 Senior Notes. The effective interest rate on the 2030 Senior Notes, which is calculated as the contractual interest rate adjusted for the debt discount and issuance costs was 8.9% as of March 31, 2024.

Credit Agreement

On February 14, 2023, In February 2023, the Company entered into a Credit Agreement credit agreement with certain lenders, from time to time party thereto. The Credit Agreement originally provided providing for a $200.0 million revolving loan credit facility (the "Revolving Credit Facility"), with a $25.0 million sub-limit for the issuance of letters of credit, and a $400.0 million delayed draw term loan facility (the "Term Loan"). On August 15, 2023, the Company entered into the first amendment to the Credit Agreement The credit facilities were subsequently amended to increase the Revolving Credit Facility by $25.0 to $225.0 million to an aggregate principal amount of $225.0 million. On November 2, 2023, the Company entered into the second amendment to the Credit Agreement to increase and the Term Loan by $75.0 million to an aggregate principal amount of $475.0 million (collectively, as amended, the "Credit Agreement"). The proceeds of the loans under from the Revolving Credit Facility may can be used for working capital and general corporate purposes. The proceeds of the loans under purposes, while the remaining $75.0 million tranche of the Term Loan commitments may can be used to repurchase a portion of the Company's convertible notes and for working capital and general corporate purposes. The Revolving Credit Facility and the Term Loan commitments terminate, and all outstanding loans thereunder are due and payable, credit facilities mature on February 14, 2028. The obligations under the Credit Agreement, and are guaranteed by certain material domestic subsidiaries of the Company, and secured by substantially all of the personal property of the Company and such subsidiary guarantors. As of March 31, 2024, the Company was in compliance with all covenants under the Credit Agreement.

In the second quarter of 2023, the Company fully drew down the then existing initial $400.0 million Term Loan of $400.0 million and the proceeds were used to repurchase a portion of the 2025 Convertible Notes, in accordance with the terms of the Credit Agreement. Notes. As of March 31, 2024 June 30, 2024, $75.0 million of the Term Loan commitments remain remained available for draw until August 2, 2024. If on any date that is within 91 days prior On August 2, 2024, the Company entered into the Third Amendment to the final scheduled maturity date of any series of the Convertible Notes, such series of Convertible Notes is in an aggregate principal amount outstanding that exceeds an amount equal to 50% of last twelve months EBITDA, calculated as set forth in the its Credit Agreement to extend the maturity date draw down of both the Revolving Credit Facility and Term Loan shall automatically be modified this $75.0 million tranche from August 2, 2024 to be such date. May 2, 2025.

Borrowings under the Credit Agreement will bear interest, at the Company's option, at either: (a) the fluctuating rate per annum equal to the greatest of (i) the prime rate then in effect, (ii) the federal funds rate then in effect, plus 0.5% per annum, and (iii) an adjusted term SOFR rate determined on the basis of a one-month interest period, plus 1.0%, in each case, plus a margin of between 1.0% and 2.0%; and (b) an adjusted term SOFR rate (based on one, three or six month interest periods), plus a margin of between 2.0% and 3.0%. The applicable margin in each case is determined based on the Company's total net leverage ratio. Interest is payable quarterly in arrears with respect to borrowings bearing interest at the alternate base rate or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at the term SOFR rate.

Debt As of June 30, 2024, the carrying value of the 2028 Term Loan, net of unamortized debt discount and issuance costs, capitalized was $377.4 million, and the Company was in the Condensed Consolidated Balance Sheets in connection compliance with the Credit Agreement are amortized primarily using the effective interest rate method over the term of all covenants under the Credit Agreement. The effective interest rate on the Term Loan, which is calculated as the contractual interest rate adjusted for the debt discount and issuance costs, 2030 Senior Notes was 8.2% 8.1% as of March 31, 2024. As of March 31, 2024, the carrying value of the Term Loan under Credit Agreement, net of unamortized debt discount and issuance costs, was $382.2 million June 30, 2024.

Convertible Notes

In March 2020, the Company issued $1.0 billion aggregate principal amount of 0% convertible notes due 2025 in a private placement to qualified institutional buyers (the "2025 Convertible Notes"), and in September 2020, it issued $650.0 million of 0% convertible notes due 2026 (the "2026 Convertible Notes" and together with the 2026 2025 Convertible Notes, the "Convertible Notes"). The 2025 Convertible Notes will mature on March 1, 2025, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately $986.5 million.

In September 2020, the Company issued $650.0 million aggregate principal amount of 0% convertible notes due 2026 in a private placement to qualified institutional buyers (the "2026 Convertible Notes"). The 2026 Convertible Notes will mature on March 15, 2026, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately $640.2 million.

The Convertible Notes are senior, unsecured obligations of the Company that do not bear regular interest and the principal amount of the Convertible Notes does not accrete. The Convertible Notes may bear special interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the respective indentures governing each of the Convertible Notes (collectively, the "Convertible Notes Indentures") or if the Convertible Notes are not freely tradeable as required by each respective Convertible Notes Indenture.

As of March 31, 2024 June 30, 2024, the carrying value values of the 2025 Convertible Notes and 2026 Convertible Notes, net of unamortized debt issuance costs, were $161.0 million and $606.2 million, respectively, and the Company was $160.9 million in compliance with all covenants under each of the Convertible Notes indentures.

Other Terms of the Convertible Notes

	2025 Convertible Notes	2026 Convertible Notes
$1,000 principal amount initially convertible into number of the Company's Class A Common Stock, par value $0.0001	2.7745 shares	2.3583 shares
Equivalent initial approximate conversion price per share	$ 360.43	$ 424.03

During the three and $605.8 million six months ended June 30, 2024, respectively. the conditions allowing holders of the 2025 Convertible Notes and 2026 Convertible Notes to convert were not met. The Convertible Notes of either series may be convertible thereafter if one or more of the conversion conditions specified in the applicable indentures governing our Convertible Notes (the "Convertible Notes Indentures") is satisfied during future measurement periods.

Partial Repurchase of 2025 and 2026 Convertible Notes

In May 2023, the Company used the entire proceeds from the drawdown of the $400.0 million Term Loan and $27.3 million of other available cash to repurchase $460.7 million principal amount of the 2025 Convertible Notes, resulting in a gain on early debt extinguishment of $31.1 million, net of related unamortized debt issuance costs.

In August 2023, the Company used a portion of the net proceeds from the offering of the 2030 Senior Notes to repurchase $125.3 million and $40.9 million aggregate principal of the 2025 Convertible Notes and 2026 Convertible Notes, respectively, by paying an aggregate amount of $153.6 million in cash, resulting in a gain on early debt extinguishment of $11.8 million, net of related unamortized debt issuance costs.

In December 2023, the Company used a portion of the remaining net proceeds from the offering of the 2030 Senior Notes to repurchase $252.7 million aggregate principal of the 2025 Convertible Notes by paying $241.3 million in cash, resulting in a gain of early debt extinguishment in the amount of $10.5 million net of related unamortized debt issuance costs.

Other Terms of the Convertible Notes

	2025 Convertible Notes	2026 Convertible Notes
$1,000 principal amount initially convertible into number of the Company's Class A Common Stock, par value $0.0001	2.7745 shares	2.3583 shares
Equivalent initial approximate conversion price per share	$ 360.43	$ 424.03

The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, upon the occurrence of a make-whole fundamental change or a redemption period, each as defined in the respective Convertible Notes Indenture, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Convertible Notes in connection with such make-whole fundamental change or during the relevant redemption period.

The Convertible Notes will be convertible at certain times and upon the occurrence of certain events in the future. Further, on or after December 1, 2024 for the 2025 Convertible Notes, and December 15, 2025 for the 2026 Convertible Notes, until the close of business on the scheduled trading day immediately preceding the relevant maturity date, holders of the

Convertible Notes may convert all or a portion of their Convertible Notes regardless of these conditions. Pursuant to the terms of the respective Convertible Notes Indenture, effective January 1, 2022, the Company made an irrevocable election to settle the principal portion of the Convertible Notes only in cash, with the conversion premium to be settled in cash or shares.

During the three months ended March 31, 2024, the conditions allowing holders of the 2025 Convertible Notes and 2026 Convertible Notes to convert were not met. The Convertible Notes of either series may be convertible thereafter if one or more of the conversion conditions specified in the applicable Convertible Notes Indenture is satisfied during future measurement periods.

The Company may redeem the Convertible Notes at its option, on or after March 5, 2022 for the 2025 Convertible Notes, and March 20, 2023 for the 2026 Convertible Notes, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid special interest to, but excluding the redemption date, subject to certain conditions. No sinking fund is provided for the Convertible Notes.

Upon the occurrence of a fundamental change (as defined in each respective Convertible Notes Indenture) prior to the maturity date, holders may require the Company to repurchase all or a portion of the 2025 Convertible Notes or 2026 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 to, but excluding, the fundamental change repurchase date.

As of March 31, 2024, the Company was in compliance with all covenants under each of the Convertible Notes Indentures.

Capped Calls

In connection with the offering of the 2026 Convertible Notes, the Company entered into privately-negotiated capped call transactions with certain counterparties (the "Capped Calls"). The initial strike price of the 2026 Convertible Notes corresponds to the initial conversion price of the 2026 Convertible Notes. The Capped Calls are generally intended to reduce or offset the potential dilution to the Class A Common Stock upon any conversion of the 2026 Convertible Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The Capped Calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, a tender offer, and a nationalization, insolvency or delisting involving the Company. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including changes in law, insolvency filings; and hedging disruptions. The Capped Call transactions are recorded in stockholders' deficit and are not accounted for as derivatives.

The following table below sets forth key terms and costs incurred for the outstanding Capped Calls:

	2026 Convertible Notes
Initial approximate strike price per share, subject to certain adjustments	$ 424.03
Initial cap price per share, subject to certain adjustments	$ 556.10
Net cost incurred (in millions)	$ 41.8
Class A Common Stock covered, subject to anti-dilution adjustments (in millions)	1.5
Settlement commencement date	2/13/2025
Settlement expiration date	3/13/2025

The following table sets forth the interest expense recognized related to long-term debt (in thousands):

		Three Months Ended March 31,
		Three Months Ended March 31,
		Three Months Ended March 31,
	2024	
	2024	

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Contractual interest expense					
Contractual interest expense					
Contractual interest expense					
Amortization of debt discount and issuance costs					
Amortization of debt discount and issuance costs					
Amortization of debt discount and issuance costs					
Total interest expense related to long-term debt					
Total interest expense related to long-term debt					
Total interest expense related to long-term debt					

Note 6. 7. Derivative Instruments

In May 2023, the Company entered into a five-year floating-to-fixed interest rate swap agreement with the objective of reducing exposure to the fluctuating interest rates associated with the Company's variable rate borrowing program by paying quarterly a fixed interest rate of 3.79%, plus a margin of 2% to 3%. The interest rate swap agreement was effective on June 30, 2023, and terminates on February 14, 2028, consistent with the duration of the maturity of the Term Loan. As of March 31, 2024 June 30, 2024, the interest rate swap agreement had a notional amount of $385.0 million $380.0 million.

The Company's interest rate swap agreement is designated as a cash flow hedge under ASC 815, *Derivatives and Hedging* ("ASC 815"). These hedges are highly effective in offsetting changes in the Company's future expected cash flows due to the fluctuation of the Company's variable rate debt. The Company monitors the effectiveness of its hedges on a quarterly basis. The Company does not hold its interest rate swap agreement for trading or speculative purposes. The Company will recognize its interest rate derivative designated as a cash flow hedge on a gross basis as an asset and a liability at fair value in the Condensed Consolidated Balance Sheets. The unrealized gains and losses on the interest rate swap agreement are included in other comprehensive income (loss) and will be subsequently recognized in earnings within or against interest expense when the hedged interest payments are accrued.

As of March 31, 2024 June 30, 2024, the Company estimates the net amount related to the interest rate swaps under the interest rate swap agreement expected to be reclassified into earnings over the next 12 months is approximately $4.4 million $4.3 million. During the three and six months ended March 31, 2024 June 30, 2024, the Company reclassified $1.5 million and $3.0 million, respectively, from accumulated other comprehensive loss to earnings as an offset and reduction to interest expense.

Note 7. 8. Business Combinations

On July 31, 2023 June 21, 2024, the Company completed its acquisition of acquired certain customer relationships, intellectual property assets, of Hopin, Inc. ("Hopin"), and supporting operations and personnel for Mitel's MiCloud Connect & Sky UCaaS offerings for a virtual events platform that aims to connect people around the world through immersive and interactive online experiences. The total purchase price cash consideration of $22.2 million consisted of $14.7 million in cash, and the acquisition date fair-value of contingent consideration of $7.5 million, out of total maximum contingent consideration of $35.0 million based on the achievement of specified performance targets by the Hopin business over multiple years, paid quarterly in cash. The acquired technology will be incorporated into the Company's global communication platform, providing customers with enhanced virtual events and webinar experiences.

$26.3 million. The transaction was accounted for as a business combination.

The preliminary allocation purchase price was allocated based on the estimated fair value of the purchase price based on their estimated fair values included $12.7 million for acquired technology and customer relationships less $3.3 million for and developed technology intangible assets of $25.3 million and $2.0 million, respectively, net acquired liabilities with the remaining $12.8 million allocated to goodwill. of $8.7 million, and goodwill of $7.7 million. The amortizable intangible assets have a weighted-average useful life of three approximately five years. The goodwill recognized is attributable primarily to the contributions of the acquired technology assembled workforce and customer relationships synergies.

Transaction costs related to the overall corporate strategy acquisition of $4.1 million were expensed as incurred as general and assembled workforce. administrative expenses. The Company included the results of operations from the acquisition date, which were not material, in the condensed consolidated financial statements.

Note 8. 9. Leases

The Company primarily leases facilities for office and data center space under non-cancelable operating leases for its U.S. and international locations. As of March 31, 2024 June 30, 2024, non-cancelable leases expire on various dates between 2024 and 2029.

Generally, the non-cancelable leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has the right to exercise or forego the lease renewal options. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of March 31, 2024 June 30, 2024 and December 31, 2023, the balance sheet components of leases were as follows (in thousands):

	March 31, 2024	December 31, 2023

	June 30, 2024	December 31, 2023
Operating lease right-of-use assets		
Accrued liabilities		
Accrued liabilities		
Accrued liabilities		
Operating lease liabilities		
Total operating lease liabilities		

The supplemental cash flow information related to operating leases for the three six months ended March 31, 2024 June 30, 2024 and 2023 were as follows (in thousands):

	Three Months Ended March 31,			Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Operating cash flows resulting from operating leases:					
Cash paid for amounts included in the measurement of lease liabilities					
Cash paid for amounts included in the measurement of lease liabilities					
Cash paid for amounts included in the measurement of lease liabilities					
New ROU assets obtained in exchange of lease liabilities:					
New ROU assets obtained in exchange of lease liabilities:					
New ROU assets obtained in exchange of lease liabilities:					
Operating leases					
Operating leases					
Operating leases					

As of March 31, 2024 June 30, 2024, the Company has additional operating leases of approximately $1.2 million $1.1 million that have not yet commenced and as such, have not yet been recognized on the Company's Condensed Consolidated Balance Sheets. These operating leases are expected to commence in the second third quarter of 2024 with lease terms of up to 5 three years.

Note 9. 10. Commitments and Contingencies

Legal Matters

The Company is subject to certain legal proceedings described below, and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business.

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Actual claims could settle or be adjudicated against the Company in the future for materially different amounts than the Company has accrued due to the inherently unpredictable nature of litigation. Legal fees are expensed in the period in which they are incurred.

Patent Infringement Matter

On April 25, 2017, Uniloc USA, Inc. and Uniloc Luxembourg, S.A. (together, "Uniloc") filed in the U.S. District Court for the Eastern District of Texas two actions against the Company alleging infringement of U.S. Patent Nos. 7,804,948; 7,853,000; and 8,571,194 by RingCentral's Glip unified communications application. The plaintiffs sought a declaration that the Company has infringed the patents, damages according to proof, injunctive relief, as well as their costs, attorney's fees, expenses and interest. On October 9, 2017, the Company filed a motion to dismiss or transfer requesting that the case be transferred to the United States District Court for the Northern District of California. In response to the motion, plaintiffs filed a first amended complaint on October 24, 2017. The Company filed a renewed motion to dismiss or transfer on November 15, 2017. Although briefing on that motion was completed, the motion was not decided. On February 5, 2018, Uniloc moved to stay the litigation pending the resolution of certain third-party inter partes review proceedings ("IPRs") before the United States Patent and Trademark Office. On February 9, 2018, the court stayed the litigation pending resolution of the IPRs without prejudice to or waiver of the Company's motion to dismiss or transfer. The parties entered into a settlement agreement and filed a Voluntary Stipulation of Dismissal with Prejudice. The court entered an order dismissing the action with prejudice on January 2, 2024.

CIPA Matter

On June 16, 2020, Plaintiff Meena Reuben ("Reuben") filed a complaint against the Company for a putative class action lawsuit in California Superior Court for San Mateo County. The complaint alleges claims on behalf of a class of individuals for whom, while they were in California, the Company allegedly intercepted and recorded communications between individuals and the Company's customers without the individual's consent, in violation of the California Invasion of Privacy Act ("CIPA") Sections 631 and 632.7. Reuben seeks statutory damages of $5,000 for each alleged violation of Sections 631 and 632.7, injunctive relief, and attorneys' fees and costs, and other unspecified amount of damages. The parties participated in mediation on August 24, 2021. On September 16, 2021, Reuben filed an amended complaint. The Company filed a demurrer to the amended complaint on October 18, 2021, and a motion for judgment on the pleadings on January 23, 2023. The Court overruled the Company's demurrer and motion for judgment on the pleadings, and the parties are now engaged in discovery. The Company filed a motion for summary judgment ("MSJ") on February 16, 2024, . An evidentiary hearing was held on August 2, 2024 and a hearing on the motion MSJ is set scheduled for August 2, 2024 August 23, 2024. Based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company's condensed consolidated financial statements, it is not possible to provide an estimated amount of any such loss or range of loss that may occur. The Company intends has and expects to continue to vigorously defend against this lawsuit.

Other Matter

On June 14, 2019, the Company filed suit in the Superior Court of California, County of Alameda, against Bright Pattern, Inc. and two of its officers, alleging that the defendants negotiated a potential acquisition of Bright Pattern by RingCentral fraudulently and in bad faith. The Company sought its costs incurred in negotiating under the Letter of Intent ("LOI") that the parties entered into and damages for lost opportunity as a result of forgoing another acquisition opportunity, and attorneys' fees and costs. On August 26, 2019, Bright Pattern filed a cross-complaint against the Company and two of its executive officers alleging breach of the LOI as well as tort claims arising from the Company's allegedly inducing Bright Pattern

RINGCENTRAL, INC.

Notes to enter into the LOI and subsequent extensions while allegedly misstating the timeframe for the proposed transaction. As damages, Bright Pattern sought audit fees it allegedly incurred, a $5.0 million break-up fee, its alleged "cash burn" during the negotiations, and unspecified lost opportunity damages. The Company filed a demurrer to Bright Pattern's amended cross-complaint, as well as a related motion to strike. On May 7, 2020, the court denied both the motion to strike and demurrer. On July 19, 2022, the parties filed a joint motion to stay the proceedings, which the court granted on July 20, 2022. On October 19, 2023, Bright Pattern moved to lift the stay. The parties entered into a settlement agreement and filed a Request for Dismissal with Prejudice, in which they agreed to dismiss the action, and all claims and counterclaims alleged therein, with prejudice. The court entered an order dismissing the action with prejudice on January 9, 2024. Condensed Consolidated Financial Statements (Unaudited)

Note 10. 11. Stockholders' Deficit

Share Repurchase Programs

Under the Company's share repurchase programs, share repurchases may be made at the Company's discretion from time to time in open market transactions, privately negotiated transactions, or other means, subject to a minimum cash balance. The programs do not obligate the Company to repurchase any specific dollar amount or to acquire any specific number of shares of its Class A Common Stock. The timing and number of any shares repurchased under the programs will depend on a variety of factors, including stock price, trading volume, and general business and market conditions.

On November 1, 2023, the Company's board of directors authorized a share repurchase program under which the Company may repurchase up to $100.0 million of the Company's outstanding shares of Class A Common Stock, subject to certain limitations. On February 7, 2024, the Company's board of directors authorized an additional $150.0 million of the Company's outstanding shares of Class A Common Stock, subject to certain limitations. The authorization expires on December 31, 2024. As of March 31, 2024, approximately $154.7 million remained authorized and available under the Company's share repurchase programs for future share repurchases.

On May 1, 2024, the Company's board of directors further increased their authorization by $250 million, subject to certain limitations. This authorization does not expire. Refer to Note 15 – *Subsequent Events* in this Quarterly Report on Form 10-Q for additional information.

The following table summarizes the share repurchase activity of the Company's Class A Common Stock for the three months ended March 31, 2024 June 30, 2024 and 2023 (in thousands):

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended June 30,
	Three Months Ended June 30,
	Three Months Ended June 30,
	2024
	2024
	2024
	Shares
	Shares
	Shares
Repurchases under share repurchase programs	
Repurchases under share repurchase programs	
Repurchases under share repurchase programs	
Amounts for excise tax withholdings and broker's commissions	
Amounts for excise tax withholdings and broker's commissions	

Amounts for excise tax withholdings and broker’s commissions	
Total repurchases of common stock	
Total repurchases of common stock	
Total repurchases of common stock	

The following table summarizes the share repurchase activity of the Company's Class A Common Stock for the six months ended June 30, 2024 and 2023 (in thousands):

RINGCENTRAL, INC.

	Six Months Ended June 30,			
	2024		2023	
	Shares	Amount	Shares	Amount
Repurchases under share repurchase programs	4,824	$ 159,085	5,480	$ 174,461
Amounts for excise tax withholdings and broker’s commissions	—	404	—	820
Total repurchases of common stock	4,824	159,489	5,480	175,281

Notes to Condensed Consolidated Financial Statements (Unaudited)

As of June 30, 2024, approximately $326.0 million remained authorized and available under the Company’s share repurchase programs for future share repurchases. The Inflation Reduction Act of 2022 imposed a nondeductible 1% excise tax on the net value of certain stock repurchases made after December 31, 2022. During the three and six months ended March 31, 2024 June 30, 2024 and 2023, the Company reflected the applicable excise tax withholdings and broker’s commissions in additional paid in capital as part of the cost basis of the stock repurchased and recorded a corresponding liability for the excise taxes payable in accrued liabilities in the Condensed Consolidated Balance Sheets.

During the three six months ended March 31, 2024 June 30, 2024, the Company repurchased approximately 2.4 million of its shares of Class A Common Stock for $80.3 million, of which 115,008 of these shares for $4.0 million, which are reflected in the table above, settled in April 2024. During the three months ended March 31, 2024, the Company settled the repurchase of 117,706 shares of Class A Common Stock for paid $162.0 million that included $4.1 million that were was pending from the prior quarter. year and excluded $1.2 million that was settled in July 2024.

The following table summarizes the number of shares of the Company’s Class A Common Stock repurchased and settled under share repurchase programs for the three and six months ended March 31, 2024 June 30, 2024 (in thousands):

Repurchases under share repurchase programs during three months ended March 31, 2024	2,361
Repurchases unsettled as of quarter end March 31, 2024	(115)
Prior quarter repurchases settled in current quarter during three months ended March 31, 2024	118
Total repurchases settled as of common stock settled March 31, 2024	2,364
Repurchases during three months ended June 30, 2024	2,463
Repurchases unsettled as of June 30, 2024	(44)
Prior quarter repurchases settled during three months ended June 30, 2024	115
Total repurchases settled as of June 30, 2024	2,534

Note 11. 12. Share-Based Compensation

A summary of share-based compensation expense recognized in the Condensed Consolidated Statements of Operations is as follows (in thousands):

	Three Months Ended March 31,				
	Three Months Ended March 31,				
	Three Months Ended March 31,				
	Three Months Ended June 30,		Six Months Ended June 30,		
	2024	2023	2024	2023	2024	2023
Cost of revenues					

Research and development
Sales and marketing
General and administrative
Total share-based compensation expense

A summary of share-based compensation expense by award type is as follows (in thousands):

	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Employee stock purchase plan rights ("ESPP")						
Performance stock units ("PSUs")						
Restricted stock units ("RSUs")						
Total share-based compensation expense						

Equity Incentive Plans

As of March 31, 2024 June 30, 2024, a total of 18,131,313 14,065,978 shares remained available for grant under the Company's Amended and Restated 2013 Equity Incentive Plan ("2013 Plan").

Employee Stock Purchase Plan

The Company's ESPP allows eligible employees to purchase shares of the Company's Class A Common Stock at a discounted price through payroll deductions.

As of March 31, 2024 June 30, 2024, there was a total of $1.3 million $1.9 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to the ESPP, which will be recognized on a straight-line basis over the remaining weighted-

average weighted-average vesting period of approximately 0.1 0.4 years. As of March 31, 2024 June 30, 2024, a total of 7,228,645 6,781,827 shares were available for issuance under the ESPP.

Restricted and Performance Stock Units

A summary of activity of restricted and performance-based stock units as of March 31, 2024 June 30, 2024, and changes during the period then ended is presented in the following table:

	Number of RSUs/PSUs Outstanding (in thousands)	Number of RSUs/PSUs Outstanding (in thousands)	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)	Number of RSUs/PSUs Outstanding (in thousands)	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2023							
Granted							
Released							
Released							
Released							
Canceled/Forfeited							
Canceled/Forfeited							
Canceled/Forfeited							
Outstanding as of March 31, 2024							
Outstanding as of March 31, 2024							
Outstanding as of March 31, 2024							
Outstanding as of June 30, 2024							
Outstanding as of June 30, 2024							

Outstanding as of June 30, 2024

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Restricted Stock Units

The 2013 Plan provides for the issuance of RSUs to employees, directors, and consultants. RSUs issued under the 2013 Plan generally vest over three or four years.

As of March 31, 2024 June 30, 2024, there was a total of $325.3 million $373.3 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to RSUs, which will be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately 2.5 years.

Performance Stock Units

The 2013 Plan provides for the issuance of PSUs. The PSUs granted under the 2013 Plan are contingent upon the achievement of predetermined market, performance, and service conditions. The Company uses a Monte Carlo simulation model to determine the fair value of its market condition PSUs. PSU expense is recognized using the graded vesting method over the requisite service period. For performance-based metrics, the compensation expense is based on a probability of achievement of the performance conditions. For market-based conditions, if the market conditions are not met but the service conditions are met, the PSUs will not vest; however, any stock-based compensation expense recognized will not be reversed.

For the majority of the PSUs granted, the number of shares of common stock to be issued at vesting will range from 0% to 200% of the target number based on the achievement of the different performance and market conditions over the respective measurement period. The PSUs generally vest over a two or three-year period.

As of March 31, 2024 June 30, 2024, there was a total of $13.3 million $30.0 million unrecognized share-based compensation expense, net of estimated forfeitures, related to these PSUs, which will be recognized over the remaining service period of approximately 1.9 years. 1.0 year.

Employee Equity Compensation Plans

The Company's board of directors adopted employee equity bonus and executive equity compensation plans ("Plans"), which allow the recipients to earn fully vested shares of the Company's Class A Common Stock upon the achievement of quarterly service and/or performance conditions and in lieu of a portion of base salary. During the three and six months ended March 31, 2024 June 30, 2024, the Company issued 369,797 344,721 and 714,518, respectively, under these Plans. The shares under these Plans are issued from the reserve of shares available for issuance under the 2013 Plan. The total requisite service period for these Plans is approximately 0.4 years.

The unrecognized share-based compensation expense as of March 31, 2024 June 30, 2024 was approximately $4.1 million $4.2 million, which will be recognized over the remaining service period of 0.1 years. The shares issued under these Plans are issued from the reserve of shares available for issuance under the 2013 Plan.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 12. 13. Income Taxes

The provision for income taxes was $3.3 million $3.2 million and $3.1 million $7.0 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $6.5 million and $10.0 million for the six months ended June 30, 2024 and 2023, respectively.

Beginning in 2022, the U.S. Tax Cuts and Jobs Act ("Tax Act") enacted on December 22, 2017 eliminated the option to deduct research and development expenditures for tax purposes in the period the expenses were incurred and instead requires all U.S. and foreign research and development expenditures to be amortized over five and fifteen tax years, respectively. Although Congress is considering legislation that would defer the capitalization and amortization requirement, there is no assurance that the provision will be repealed or otherwise modified.

Due to this required capitalization of research and development expenditures, the Company has recorded current U.S. income tax expense of $1.4 million and $2.8 million for the quarter three and six months ended March 31, 2024 June 30, 2024. The current U.S. income tax provision is primarily for federal and state taxes currently payable that we anticipate paying as a result of statutory limitations on our ability to offset expected taxable income with net operating loss carry forwards.

The realization of tax benefits of net deferred tax assets is dependent upon future levels of taxable income, of an appropriate character, in the periods the items are expected to be deductible or taxable. Based on the available objective evidence, the Company does not believe it is more likely than not that certain net deferred tax assets will be realizable. Accordingly, the Company continues to provide a full valuation allowance against the entire domestic and the majority of the foreign net deferred tax assets as of March 31, 2024 June 30, 2024 and December 31, 2023. The Company intends to maintain the full valuation allowance on the U.S. and certain foreign net deferred tax assets until sufficient positive evidence exists to support a reversal of, or decrease in, the valuation allowance.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

During the three and six months ended March 31, 2024 June 30, 2024, there were no material changes to the total amount of unrecognized tax benefits.

Note 13. 14. Basic and Diluted Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, stock options, restricted stock units, performance stock units, ESPP, convertible notes, and convertible preferred stock, to the extent dilutive. For the three and six months ended March 31, 2024 June 30, 2024 and 2023, all such common stock equivalents have been excluded from diluted net loss per share as the effect to net loss per share would be anti-dilutive.

The following table sets forth the computation of the Company's basic and diluted net loss per share of common stock (in thousands, except per share data):

	Three Months Ended March 31,	
	2024	2023
Numerator		
Net loss	$ (28,494)	$ (54,399)
Denominator		
Weighted-average common shares outstanding for basic and diluted net loss per share	93,142	95,720
Basic and diluted net loss per share	$ (0.31)	$ (0.57)

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator				
Net loss	$ (14,753)	$ (21,482)	$ (43,247)	$ (75,881)
Denominator				
Weighted-average common shares outstanding for basic and diluted net loss per share	92,745	95,339	92,944	95,528
Basic and diluted net loss per share	$ (0.16)	$ (0.23)	$ (0.47)	$ (0.79)

The following table summarizes the potentially dilutive common shares that were excluded from diluted weighted-average common shares outstanding because including them would have had an anti-dilutive effect (in thousands):

	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Shares of common stock issuable under equity incentive plans outstanding				
Shares of common stock issuable under equity incentive plans outstanding				
Shares of common stock issuable under equity incentive plans outstanding				
Shares of common stock related to convertible preferred stock				
Shares of common stock related to convertible preferred stock				
Shares of common stock related to convertible preferred stock				
Potential common shares excluded from diluted net loss per share				
Potential common shares excluded from diluted net loss per share				
Potential common shares excluded from diluted net loss per share				

Pursuant to the terms of the respective Convertible Notes Indentures, effective January 1, 2022, the Company made an irrevocable election to settle the principal portion of the Convertible Notes only in cash, with the conversion premium to be settled in cash or shares.

The Company calculates the potential dilutive effect of its Convertible Notes under the if-converted method. Under this method, only the amounts settled in excess of the principal will be considered in diluted earnings per share, in line with the terms of the Convertible Notes Indentures.

The denominator for diluted net income per share does not include any effect from the capped call transactions the Company entered into concurrently with the issuance of the Convertible Notes as this effect would be anti-dilutive. In the event of conversion of the Convertible Notes, if shares are delivered to the Company under the capped call, they will offset the dilutive effect of the shares that the Company would issue under the Convertible Notes.

Note 14. 15. Restructuring Activities

During the three and six months ended March 31, 2024 June 30, 2024, the Company incurred restructuring costs of $4.6 million $1.2 million and $5.8 million, respectively, in continuation of management's headcount actions as part of the broader efforts to optimize the Company's cost structure. The restructuring costs primarily consisted of severance payments, employee benefits and related costs. The Company expects to substantially complete these actions in 2024, subject to local law and consultation requirements in certain countries. The Company may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur as a result of or in connection with the implementation of these actions.

The following table summarizes the Company's restructuring costs that were recorded as an operating expense in the accompanying Condensed Consolidated Statement of Operations during the three and six months ended March 31, 2024 June 30, 2024, and 2023 (in thousands):

	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,						
	Three Months Ended June 30,			Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
Cost of revenues							
Research and development							
Sales and marketing							
General and administrative							
Total restructuring costs							

The following table summarizes the Company's restructuring liability that is included in accrued liabilities in the accompanying Condensed Consolidated Balance Sheets (in thousands):

Balance as of December 31, 2023	$	3,191
Restructuring costs		4,582 5,780
Cash payments		(5,532) (7,533)
Balance as of March 31, 2024 June 30, 2024	$	2,241 1,438

Note 15. 16. Subsequent Events

Share Repurchase Program

On May 1, 2024 August 6, 2024, the Company's board of directors authorized a share repurchase program under which Company entered into the Company may repurchase Fourth Amendment to its Credit Agreement (the "Fourth Amendment") to provide up to $250 $275.0 million of additional delayed draw term loan commitments. The Company is required to pay a quarterly ticking fee at a rate of 0.350%, increasing to 0.500% per annum on the Company's outstanding shares daily unused amount of Class A Common Stock. Under such new delayed draw term loan commitments though the program, share repurchases may be made earlier of the funding date or May 6, 2025. Once borrowed, the additional delayed draw term loans will bear interest, at the Company's discretion from time Company's option, at either (a) a base rate, defined as a fluctuating rate per annum equal to time the greatest of (i) the prime rate then in open market transactions, privately negotiated transactions, effect, (ii) the federal funds rate then in effect, plus 0.50% per annum, and (iii) an adjusted term SOFR rate determined on the basis of a one-month interest period, plus 1.00%, in each case, plus a margin of between 0.75% and 1.25%; and (b) an adjusted term SOFR rate (based on one, three or other means, subject to six month interest periods), plus a minimum cash balance. The program does not obligate the Company to repurchase any specific dollar amount or to acquire any specific number margin of shares of its Class A Common Stock. The timing between 1.75% and number of any shares repurchased under the program will depend on a variety of factors, including stock price, trading volume, and general business and market conditions. The authorization under this program does not expire. 2.25%.

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 Condensed Consolidated Financial Statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 22, 2024, as amended on April 24, 2024, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As discussed in the section entitled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ significantly from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in the section entitled "Risk Factors" included under Part II, Item 1A below.

Overview

We are a leading provider of AI-driven global enterprise cloud business communications, video meetings, collaboration, and contact center, software-as-a-service ("SaaS") video, and hybrid event solutions. We believe that our innovative, cloud-based communication and contact center solutions disrupt the large market for business communications and collaboration by providing flexible and cost-effective solutions that support mobile and distributed workforces. We enable convenient and effective communications for organizations across all their locations and employees, enabling them to be more productive and more responsive.

Our cloud-based business communications and collaboration solutions are designed for ease of use and flexibility, enabling seamless user identity across multiple devices including smartphones, tablets, PCs, and desk phones. These solutions can be rapidly deployed, configured, and managed, making them ideal for the modern mobile and global enterprise workforce, far surpassing legacy on-premises systems in adaptability. Our solutions are location and device independent, with advanced capabilities that extend even to mobile and browser use cases. Through our open Application Programming Interface ("API") platform and pre-built applications, RingCentral integrates with leading business applications and empowers customers and third-party developers to tailor their business workflows. Additionally, our RingSense AI platform enhances these offerings by providing automation and intelligent features, further simplifying user experience and boosting operational efficiency.

Our multi-product portfolio includes:

- RingEX (formally (formerly RingCentral MVP), an AI-driven Unified Communications as a Service ("UCaaS") platform, which features an industry-leading cloud phone system, enhanced business SMS, efax, team messaging, and video meetings. It includes advanced telephony capabilities such as Interactive Voice Response ("IVR"), advanced call queues and management, along with the broadest a broad set of telephony integrations as well as numerous APIs to create custom communication workflows. Additionally, the platform offers robust IT and business analytics, plus a comprehensive suite of cloud migration solutions like RingCentral Cloud Connector for simplified hybrid deployments;
- Contact Center as a Service ("CCaaS"), a set of cloud-based customer experience solutions that includes RingCentral Contact Center, an OEM solution, and RingCX, a native omnichannel contact center with generative AI capabilities and conversation analytics launched in August 2023;
- RingCentral Video, our native video meeting solution with team messaging, whiteboarding that enables smart video meetings, rooms solutions (sold separately as RingCentral Rooms), and webinars (sold separately as RingCentral Webinars); , as well as RingCentral Meetings, an OEM solution;
- RingCentral Events, launched in November 2023 following the acquisition of Hopin Events and Session Platforms, offers a comprehensive suite of features for hosting virtual, hybrid, and in-person events of all sizes from single-session gatherings to multi-day, multi-session conferences. It includes advanced personalization options and AI-driven capabilities to enhance attendee experience; and
- RingSense, announced in March 2023, is an AI platform for enhanced business communications and revenue intelligence that helps organizations unlock powerful insights from conversation data. RingSense for Sales, the first offering in this portfolio, analyzes interactions among salespeople and their prospects to surface key insights and performance measures, helping increase sales efficiency. RingSense AI is being infused across our entire portfolio with offerings such as RingSense AI for RingEX, RingSense AI for RingCX (Quality Management and Workforce Engagement Management), and AI capabilities included as part of RingCentral Events and Webinar.

Our portfolio of cloud-based offerings are subscription based and made available at different rates varying by the specific functionalities, services, and number of users. We primarily generate revenues from the sale of subscriptions to our offerings. Our subscription plans have monthly, annual, or multi-year contractual terms. We believe that this flexibility in contract duration is important to meet the different needs of our customers. For each of the three and six months ended March 31, 2024 June 30, 2024 and 2023, subscriptions revenues accounted for 90% or more of our total revenues. The remainder of our revenues are primarily comprised of product revenues from the sale of pre-configured phones and professional services. We do not develop or manufacture physical phones and only offer them as a convenience to our customers. We rely on third-party providers to develop and manufacture these devices and fulfillment partners to successfully serve our customers.

We use our direct inside sales force and indirect sales channels to market our brand and our subscription offerings. Our indirect sales channels who sell our solutions consist of:

- Regional and global network of resellers and distributors;
- Strategic Global Service Providers and strategic partners who market and sell our RingEX or other solutions, including co-branded solutions.
- Global Service Providers including AT&T, TELUS, BT, Vodafone, DT, Optus, 1&1 Versatel and Ecotel in Germany, MCM in Mexico, Frontier, Charter Communications, Brightspeed and others.

Our revenue growth has primarily been driven by our flagship RingEX, RingCentral contact center solutions, and recurring license and other fees. Our revenue is derived from sales through our direct and indirect sales channels, including resellers and distributors, strategic partners and global service providers. As of March 31, 2024 June 30, 2024, we had customers from a range of industries, including financial services, education, healthcare, legal services, real estate, retail, technology, insurance, construction, hospitality, and state and local government, among others. For each of the three and six months ended March 31, 2024 June 30, 2024 and 2023, the vast majority of our total revenues were generated in the U.S. and Canada.

The growth of our business and our future success depend on many factors, including our ability to expand our customer base, expand our indirect sales channels, continue to innovate, grow revenues from our existing customer base, increase our sales and revenues from our existing and new products, expand our distribution channels, and scale internationally.

In 2023, pursuant to our approved reduction-in-force plan as part of broader efforts to optimize the Company's cost structure, we are actively implementing various measures to enhance operational efficiencies. These include disciplined spending, increased productivity, efficiency gains, and optimizing our go-to-market strategies.

Macroeconomic Conditions and Other Factors

We are subject to risks and exposures caused by the current macroeconomic environment. Macroeconomic factors include persistent inflation, higher interest rates, supply chain disruptions, decreased economic output, geopolitical conflict and fluctuations in currency exchange rates, all of which can cause uncertainty. The overall macroeconomic environment may affect buying behavior from larger customers that could have an adverse impact on our results. We are also seeing less have in the past and may in the future experience lower upsell of additional RingEX (formally RingCentral (formerly Ring MVP) services within our existing base as customers have slowed slow hiring and rationalized rationalize their employee counts. We continuously monitor the impact of these circumstances on our business and financial results, as well as the overall global economy and geopolitical landscape. The implications of macroeconomic conditions on our business, results of operations and overall financial position, particularly in the long term, remain uncertain.

Key Business Metrics

In addition to United States generally accepted accounting principles ("U.S. GAAP") and financial measures such as total revenues, gross margin, and cash flows from operations, we regularly review a number of key business metrics to evaluate growth trends, measure our performance, and make strategic decisions. We discuss revenues and gross margin under "Results of Operations", and cash flow from operations and free cash flows under "Liquidity and Capital Resources." Other key business metrics are discussed below.

Annualized Exit Monthly Recurring Subscriptions

We believe that our Annualized Exit Monthly Recurring Subscriptions ("ARR") is a leading indicator of our anticipated subscriptions revenues. We believe that trends in revenue are important to understanding the overall health of our business, and we use these trends in order to formulate financial projections and make strategic business decisions. Our ARR equals our Monthly Recurring Subscriptions multiplied by 12. Our Monthly Recurring Subscriptions equals the monthly value of all customer recurring charges at the end of a given month. For example, our Monthly Recurring Subscriptions at March 31, 2024 June 30, 2024 was $197.5 million $202.3 million. As such, our ARR at March 31, 2024 June 30, 2024 was $2.37 billion $2.43 billion compared to $2.16 billion $2.22 billion at March 31, 2023 June 30, 2023.

Net Monthly Subscription Dollar Retention Rate

We believe that our Net Monthly Subscription Dollar Retention Rate provides insight into our ability to retain and grow subscriptions revenue, as well as our customers' potential long-term value to us. We believe that our ability to retain our customers and expand their use of our solutions over time is a leading indicator of the stability of our revenue base and we use these trends in order to formulate financial projections and make strategic business decisions. We define our Net Monthly Subscription Dollar Retention Rate as (i) one plus (ii) the quotient of Dollar Net Change divided by Average Monthly Recurring Subscriptions.

We define Dollar Net Change as the quotient of (i) the difference of our Monthly Recurring Subscriptions at the end of a period minus our Monthly Recurring Subscriptions at the beginning of a period minus our Monthly Recurring Subscriptions at the end of the period from new customers we added during the period, all divided by (ii) the number of months in the period. We define our Average Monthly Recurring Subscriptions as the average of the Monthly Recurring Subscriptions at the beginning and end of the measurement period.

For example, if our Monthly Recurring Subscriptions were $118 at the end of a quarterly period and $100 at the beginning of the period, and $20 at the end of the period from new customers we added during the period, then the Dollar Net Change would be equal to ($0.67), or the amount equal to the difference of $118 minus $100 minus $20, all divided by three months. Our Average Monthly Recurring Subscriptions would equal $109, or the sum of $100 plus $118, divided by two. Our Net Monthly Subscription Dollar Retention Rate would then equal 99.4%, or approximately 99%, or one plus the quotient of the Dollar Net Change divided by the Average Monthly Recurring Subscriptions.

Our key business metrics for the five quarterly periods ended March 31, 2024 June 30, 2024 were as follows (dollars in billions, except percentages):

		March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023			March 31, 2023	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Net Monthly Subscription Dollar Retention Rate	Net Monthly Subscription Dollar Retention Rate	>99%			>99%	Net Monthly Subscription Dollar Retention Rate	>99%				>99%		
Annualized Exit Monthly Recurring Subscriptions													

Results of Operations

The following tables set forth selected condensed consolidated statements of operations data and such data as a percentage of total revenues. The historical results presented below are not necessarily indicative of the results that may be expected for any future period (in thousands):

		Three Months Ended March 31,								
		Three Months Ended March 31,								
		Three Months Ended March 31,								
		Three Months Ended June 30,		Six Months Ended June 30,						
		2024		2024	2023	2024	2023	2024	2023	
Revenues	**Revenues**		**Revenues**							
Subscriptions										
Other										
Total revenues										
Cost of revenues	**Cost of revenues**		**Cost of revenues**							
Subscriptions										
Other										
Total cost of revenues										
Gross profit										
Operating expenses	**Operating expenses**		**Operating expenses**							
Research and development										
Sales and marketing										
General and administrative										
Total operating expenses										
Loss from operations										
Other income (expense), net	**Other income (expense), net**		**Other income (expense), net**							
Interest expense										
Other income										
Other income (expense), net										
Loss before income taxes										
Provision for income taxes										
Net loss										

*Percentage of Total Revenues**

		Three Months Ended March 31,												
		Three Months Ended March 31,												
		Three Months Ended March 31,												
		Three Months Ended June 30,					Six Months Ended June 30,							
		2024					2024		2023		2024	2023	2024	2023
Revenues	**Revenues**					**Revenues**								
Subscriptions	Subscriptions	95	%	95	%	Subscriptions	96	%	95	%	96	%	95	%
Other														
Total revenues														
Cost of revenues														
Subscriptions														
Subscriptions														
Subscriptions														
Other														
Total cost of revenues														
Gross profit														

Operating expenses

Research and development
Research and development
Research and development
Sales and marketing
General and administrative
Total operating expenses
Loss from operations

Other income (expense), net

Interest expense
Interest expense
Interest expense
Other income
Other income (expense), net
Loss before income taxes
Provision for income taxes

Net loss	**Net loss**	(5) %	(10) %	**Net loss**	(2) %	(4) %	(4) %	(7) %

* Percentages may not add up due to rounding.

Comparison of the Three and Six Months Ended March 31, 2024 June 30, 2024 and 2023

Revenues

		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
(in thousands, except percentages)									
(in thousands, except percentages)									
		Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands, except percentages)	(in thousands, except percentages)	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Revenues	Revenues								
Revenues									
Revenues									
Subscriptions									
Subscriptions									
Subscriptions	Subscriptions	$567,058	$ $513,632	$ $53,426	10 10 %	$ 1,124,545	$ $1,021,926	$ $102,619	10 10 %
Other									
Other									
Other									
Total revenues									
Total revenues									
Total revenues	Total revenues	$592,907	$ $539,305	$ $53,602	10 10 %	$ 1,177,118	$ $1,072,994	$ $104,124	10 10 %
Percentage of revenues	Percentage of revenues								
Percentage of revenues									
Percentage of revenues									
Subscriptions									
Subscriptions									
Subscriptions	Subscriptions	96 %	95 %			96 %	95 %		
Other	Other	4 5	5			4 5	5		
Other									

Other					
Total	Total	100 %	100 %	100 %	100 %
Total					
Total					

Subscriptions revenue. Subscriptions revenue increased by $49.2 million $53.4 million, or 10%, for the three months ended March 31, 2024 June 30, 2024, and $102.6 million, or 10%, for the six months ended June 30, 2024, as compared to the respective prior year period. periods. The increase was primarily due to the acquisition of new customers, sale of new products, upsells of RingEX and additional offerings to our existing customer base, derived from sales through our direct and indirect sales channels, including resellers, distributors, and global service providers. Although we expect to continue to add new customers and increase the usage of our product for existing customers, we will monitor the impact of macroeconomic factors that could have an impact on customer buying behavior and demand, including contract duration, timing of customer purchases, churn, upsell and down-sell, renewals, payment terms, and credit card declines, all of which could cause variability in our revenue.

Other revenue. Other revenue increased by $1.3 million $0.2 million, or 5% 1%, for the three months ended March 31, 2024 June 30, 2024, and $1.5 million, or 3% for the six months ended June 30, 2024, as compared to the respective prior year period, primarily due to higher device sales due to as a result of overall growth in business compared to the respective prior year period.

Cost of Revenues and Gross Margin

		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
(in thousands, except percentages)									
(in thousands, except percentages)									
		Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands, except percentages)	(in thousands, except percentages)	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Cost of revenues	Cost of revenues								
Cost of revenues									
Cost of revenues									
Subscriptions									
Subscriptions									
Subscriptions	Subscriptions	$148,107	$ $136,067	$ $12,040 9	9 %	$291,757 $	$272,492	$ $19,265 7	7 %
Other									
Other									
Other									
Total cost of revenues									
Total cost of revenues									
Total cost of revenues	Total cost of revenues	$176,670	$ $164,417	$ $12,253 7	7 %	$347,149 $	$325,093	$ $22,056 7	7 %
Gross margins	Gross margins								
Gross margins									
Gross margins									
Subscriptions									
Subscriptions									
Subscriptions	Subscriptions	74 %	74 %			74 %	73 %		
Other	Other	(10)%	(10)%			(5)%	(3)%		
Other									
Other									
Total gross margin %	Total gross margin %	70 %	70 %			71 %	70 %		
Total gross margin %									
Total gross margin %									

Subscriptions cost of revenues and gross margin. Cost of subscriptions revenues increased by $7.2 million $12.0 million, or 5% 9%, for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period. The higher cost of subscription revenues was primarily due to an increase in third-party costs of $8.8 million $11.0 million to support our solution offerings and an increase in infrastructure support costs of $1.8 million $3.0 million, partially offset by $2.6 million $2.9 million decrease in the amortization of our intangible assets.

Cost of subscriptions revenues increased by $19.3 million, or 7%, for the six months ended June 30, 2024, as compared to the respective prior year period. The higher cost of subscription revenues was primarily due to an increase in third-party costs of $19.8 million to support our solution offerings and an increase in infrastructure support costs of $4.6 million, partially offset by $5.4 million decrease in the amortization of our intangible assets.

For the three and six months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period, our subscription gross margin improved due to lower amortization of acquired intangible assets and higher subscription revenue.

remained relatively consistent period over period. We expect to continue investing in our infrastructure and capacity to improve the availability of our subscription offerings, supporting the growth of both our new and existing customers.

Other cost of revenues and gross margin. Cost of other revenues increased by $2.6 million, or 11%, and gross margin remained relatively consistent for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period.

Cost of other revenues increased by $2.8 million, or 5%, for the six months ended June 30, 2024, as compared to the respective prior year period, primarily due to $1.8 million increase in personnel and contractor costs, as well as $1.3 million increase in costs associated with phones sales, partially offset by $0.9 million decrease in professional fees. sales.

Research and Development

		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
(in thousands, except percentages)									
(in thousands, except percentages)									
		Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands, except percentages)	(in thousands, except percentages)	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Research and development	Research and development	$79,750	$ $80,280	$ $ (530) (1)	(1)%	$160,278 $	$165,521 $	$ (5,243) (3)	(3)%
Research and development									
Research and development									
Percentage of total revenues	Percentage of total revenues	13 %	15 %			14 %	15 %		
Percentage of total revenues									
Percentage of total revenues									

Research and development expenses decreased by $4.7 million $0.5 million, or (6) (1)%, for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period, primarily due to driven by a $2.5 million reduction in professional fees, partially offset by a $1.8 million increase in personnel and contractor costs costs.

Research and $2.5 million development expenses decreased by $5.2 million, or (3)%, for the six months ended June 30, 2024, as compared to the respective prior year period, primarily attributed to a $4.9 million decrease in professional fees. The overall reduction in personnel and contractor costs was primarily attributed to a reduction in headcount.

We believe that continued investment in our products is important for our future growth, and our research and development expenses may increase in absolute dollars, although these expenses may fluctuate as a percentage of our total revenues from period to period depending on the timing of these expenses.

Sales and Marketing

		Three Months Ended March 31,
		Three Months Ended March 31,
		Three Months Ended March 31,
(in thousands, except percentages)		
(in thousands, except percentages)		

(in thousands, except percentages)	(in thousands, except percentages)	Three Months Ended June 30, 2024	2023	$ Change	% Change	Six Months Ended June 30, 2024	2023	$ Change	% Change
Sales and marketing	Sales and marketing	$269,487	$ $264,443	$ $5,044	2 2 %	$542,217	$ $524,655	$ $17,562	3 3 %
Sales and marketing									
Sales and marketing									
Percentage of total revenues	Percentage of total revenues	45 %	49 %			46 %	49 %		
Percentage of total revenues									
Percentage of total revenues									

Sales and marketing expenses increased by $12.5 million $5.0 million, or 5% 2%, for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period, period. This increase was primarily due to an a $12.1 million increase in third-party commissions and $6.8 million in amortization of $10.9 million deferred sales commission costs. These increases were partially offset by a $9.9 million reduction in personnel and contractor costs, largely due to headcount reductions and decrease in share-based compensation due to disciplined stock grants to employees. Additionally, we experienced a $2.6 million decrease in professional fees and a $1.2 million reduction in advertising and overhead costs during the three months ended June 30, 2024.

Sales and marketing expenses increased by $17.6 million, or 3%, for the six months ended June 30, 2024, as compared to the respective prior year period. This increase was primarily driven by a $23.0 million increase in third-party commissions, $12.4 million in amortization of deferred sales commission costs, of $5.6 million, and a $1.2 million increase in advertising and marketing costs of $2.0 million, costs. These increases were partially offset by a $16.9 million decrease in personnel and contractor costs, of $7.1 million primarily attributable largely due to reduction headcount reductions and decrease in headcount and share-based compensation driven by due to disciplined stock grants for new and existing employees. to employees, as well as a $1.9 million reduction in professional fees.

We expect to incur incremental sales and marketing expenses to support our growth while driving cost efficiencies by further optimizing our go-to-market strategies.

General and Administrative

(in thousands, except percentages)	(in thousands, except percentages)	Three Months Ended June 30, 2024	2023	$ Change	% Change	Six Months Ended June 30, 2024	2023	$ Change	% Change
	Three Months Ended March 31,								
	Three Months Ended March 31,								
	Three Months Ended March 31,								
(in thousands, except percentages)									
(in thousands, except percentages)									
General and administrative	General and administrative	$72,359	$ $75,227	$ $(2,868)	(4) (4)%	$143,732	$ $157,318	$ $(13,586)	(9) (9)%
General and administrative									
General and administrative									
Percentage of total revenues	Percentage of total revenues	12 %	14 %			12 %	15 %		
Percentage of total revenues									
Percentage of total revenues									

General and administrative expenses decreased by $10.7 million $2.9 million, or (13) (4)%, for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period, primarily due to a decrease $5.3 million reduction in professional fees by $9.2 million and personnel and contractor costs, driven by $2.0 million decrease in share-based compensation due to disciplined stock grants to employees, partially offset by increases in professional fees of $1.7 million.

General and administrative expenses decreased by $13.6 million, or (9)%, for the six months ended June 30, 2024, as compared to the respective prior year period, primarily due to a $7.5 million reduction in professional fees and $7.3 million decrease in personnel and contractor costs, driven by decrease in share-based compensation due to disciplined stock grants to employees, partially offset by $1.5 million increase in overhead costs.

We expect the general and administrative expenses to reflect the impact of our operational efficiency measures as we re-align realign our hiring strategies and rationalize our discretionary spending.

Other Income (Expense), Net

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
(in thousands, except percentages)	

(in thousands, except percentages)															
	Three Months Ended June 30,									Six Months Ended June 30,					
(in thousands, except percentages)	(in thousands, except percentages)	2024		2023		$ Change		% Change		2024		2023			$ Change
Interest expense	Interest expense	$(16,021)	$	$ (5,118)	$	$(10,903)	213	213	%	$(32,275)	$	$(7,330)	$		$(24,94
Interest expense															
Interest expense															
Other income															
Other income															
Other income	Other income	9,803	35,651	35,651	(25,848)	(25,848)	(73)	(73)%		11,747	41,080		41,080	(29,333)	
Other income (expense), net	Other income (expense), net	$ (6,218)	$	$30,533	$	$(36,751)	nm	nm		$ (20,528)	$	$ 33,750	$		$
Other income (expense), net															
Other income (expense), net															

*nm - not meaningful

Interest expense. Interest expense increased by $14.0 million $10.9 million, or 213%, for the three months ended March 31, 2024 June 30, 2024, and $24.9 million, or 340%, for the six months ended June 30, 2024, as compared to the respective prior year period, primarily due period. This increase was mainly attributable to interest incurred under our Credit Agreement and the 2030 Senior Notes.

Other income. Other income decreased by $3.5 million $25.8 million, or (73)%, for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period. This decrease was primarily due to a $31.1 million reduction in gains from the early extinguishment of debt during the three months ended June 30, 2023, partially offset by a $7.7 million gain recognized from our amended agreement with a strategic partner during the three months ended June 30, 2024.

Other income decreased $29.3 million, or (71)%, for the six months ended June 30, 2024, compared to the respective prior year period, primarily due to a $4.5 million decline $31.1 million reduction in strategic partner gains partially offset by a reduction from the early extinguishment of $1.6 million in unrealized losses on our long-term investments.

debt during the three months ended June 30, 2023.

Other income and expense, net, can fluctuate in the future due to changes in interest rates on our money market funds, interest expense on our Credit Agreement, and fluctuations in currency exchange rates in the current macroeconomic environment.

Net Loss

Net loss decreased by $25.9 million $6.7 million for the three months ended March 31, 2024, as compared to the respective prior year period, primarily driven by reduction in loss from operations partially offset by increase in other expenses, net.

Loss from operations decreased by $43.6 million for the three months ended March 31, 2024 June 30, 2024, as compared to the respective prior year period. The decrease was largely due to $39.7 million reduction in loss from operations, was primarily due to driven by higher subscription revenue revenues and lower operating expenses as a percentage of total revenue. The reduction in professional fees operating expenses as a percentage of $10.9 million and total revenue was achieved through continued disciplined spending, including a $17.9 million decrease in share-based compensation of $10.0 million driven by disciplined spending and lower stock grants for new and existing employees. The a $5.7 million decrease in loss from operations is professional fees. These reductions in operating expenses were partially offset by $14.0 million a $31.1 million gain from the early extinguishment of debt recorded during the three months ended June 30, 2023 that did not recur, and a $10.9 million increase in interest expense primarily due during the three months ended June 30, 2024, related to interest incurred under our Credit Agreement and 2030 Senior Notes. Additionally, in the second quarter of 2024, we recognized a non-operating gain of $7.7 million related to our amended agreement with a strategic partner.

Net loss decreased by $32.6 million for the six months ended June 30, 2024, as compared to the respective prior year period. The decrease was largely due to a $83.3 million reduction in loss from operations, driven by higher subscription revenues and lower operating expenses as a percentage of total revenue. The reduction in operating expenses as a percentage of total revenue was achieved through continued disciplined spending, including a $27.9 million decrease in share-based compensation and a $17.7 million reduction in professional fees. These reductions in operating expenses were partially offset by a $31.1 million gain from the early extinguishment of debt recorded during the six months ended June 30, 2023, and a $24.9 million increase in interest expense during the three months ended June 30, 2024, mainly related to our Credit Agreement and 2030 Senior Notes.

Liquidity and Capital Resources

Liquidity is a measure of our ability to access generate sufficient cash flows to meet the short-term and long-term cash requirements of our business operations, and debt obligations as they become due.

We finance our operations primarily through sales to our customers, which could be billed either monthly or annually one year in advance. For customers with annual or multi-year contracts and those who opt for annual invoicing, we generally invoice only one annual period in advance and revenue is deferred for such advanced billings. We also have access to additional liquidity from our term loan and revolving credit facility. As of March 31, 2024 June 30, 2024 and December 31, 2023, we had cash and cash equivalents of $203.1 million $199.3 million and $222.2 million, respectively.

Our outstanding principal debt as of March 31, 2024 June 30, 2024 was comprised of $161.3 million from our 2025 Convertible Notes due on March 1, 2025, $609.1 million from our 2026 Convertible Notes due on March 15, 2026, $385.0 million $380.0 million under our Term Loan with due on February 14, 2028, as well as $400.0 million under our 2030 Senior Notes due on August 15, 2030. As of March 31, 2024 June 30, 2024, we have $75 million remaining under our delayed draw-down Term Loan and $225.0 million remaining under our Revolving Credit Facility. We may choose On August 2, 2024, we entered into the Third Amendment to utilize our Credit Agreement to extend the remaining commitment under $75.0 million tranche of our Term Loan and a portion from August 2, 2024 to May 2, 2025. On August 6, 2024, we entered into the Fourth Amendment to our Credit Agreement to increase the Term Loan by $275.0 million in accordance with the incremental loan provisions of any future free cash flows we may generate to address the remaining $161.3 million Credit Agreement. Following the Fourth Amendment, the aggregate principal amount outstanding of our 2025 Convertible Notes. available term loan commitments under the amended credit agreement equaled $350.0 million. Refer to Note 5, 6, *Long-Term Debt*, in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information regarding our Credit Agreement, the 2030 Senior Notes and the Convertible Notes. We were in compliance with all debt covenants as of March 31, 2024 June 30, 2024.

In November 2023, Under our board of directors authorized a share repurchase program under which we programs, share repurchases may be made at our discretion from time to time in open market transactions, privately negotiated transactions, or other means, subject to a minimum cash balance. The programs do not obligate us to repurchase up any specific dollar amount or to $100.0 million acquire any specific number of the Company's outstanding shares of our Class A Common Stock, subject to certain limitations. In February 2024, our board Stock. The timing and number of directors authorized an additional $150.0 million any shares repurchased under the programs will depend on a variety of our outstanding shares of Class A Common Stock, subject to certain limitations. The authorization expires on December 31, 2024. factors, including stock price, trading volume, and general business and market conditions. During the three six months ended March 31, 2024 June 30, 2024, we repurchased and settled approximately 2.4 4.8 million shares of our Class A Common Stock, by paying an aggregate amount of approximately $80.5 million. $162.0 million under the plans previously authorized by our Board. As of March 31, 2024 June 30, 2024, approximately $154.7 million $326.0 million remained authorized and available under our share repurchase programs for future share repurchases.

In May 2024, our board of directors further increased their authorization by $250 million, subject to certain limitations. The authorization does not expire. Refer to Note 10, 11, *Stockholders' Deficit* in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

In June 2024, we completed the acquisition of certain assets of Mitel for $26.3 million paid in cash. Refer to Note 8 - *Business Combinations*, in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

We believe that our operations, existing liquidity sources as well as capital resources and ability to raise cash through additional financing will satisfy our future cash requirements and obligations for at least the next 12 months. Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support customer growth, acquisitions and expansions, sales and marketing, research and development, increased general and administrative expenses to support the anticipated growth in our operations, and capital equipment required to support our headcount and in support of our co-location data center facilities, our interest payments for both our Term Loan and 2030 Senior Notes, the repurchase, repayment or otherwise settlement of a portion of our 2025 Convertible Notes and/or our 2026 Convertible Notes, as well as the impact of the global macroeconomic conditions. Our capital expenditures in future periods are expected to grow in line with our business. We continually evaluate our capital needs and may decide to raise additional capital to fund the growth of our business for general corporate purposes through public or private equity offerings or through additional debt financing. The timing and amount of any such financing requirements will depend on a number of factors, including the maturity dates of our existing debt. We may from time to time seek to refinance certain of our outstanding debt through issuances of new notes or convertible debt, term loans, exchange transactions or debt repurchases. Such issuances, exchanges or repurchases, if any, will depend on prevailing market conditions, our ability to negotiate acceptable terms, our liquidity position and other factors. There can be no assurance that any financing will be available Refer to risk factors in Part II, Item 1A of this Quarterly Report on acceptable terms due to uncertainties resulting from rising interest rates, higher inflation, economic uncertainty, instability in the banking sector, or other factors, and any additional equity financing would result in incremental ownership dilution Form 10-Q for discussion of risks relating to our existing stockholders. In the future, we may also make investments in or acquire businesses or technologies that could require us to seek additional equity or debt financing. Access to additional liquidity and capital may not be available or on favorable terms. The uncertainty created by the global economic conditions, including concerns about rising inflation and an associated economic downturn, may also impact our customers' ability to pay on a timely basis, which could negatively impact our operating cash flows. resources.

The table below provides selected cash flow information for the periods indicated (in thousands):

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash provided by operating activities				
Net cash used in investing activities				
Net cash used in financing activities				
Effect of exchange rate changes				
Net increase (decrease) in cash and cash equivalents				
Net decrease in cash and cash equivalents				

Net Cash Provided By Operating Activities

Cash provided by operating activities is driven by the timing of customer collections, as well as the amount and timing of disbursements to our vendors, the amount of cash we invest in personnel, marketing, and infrastructure costs to support the anticipated growth of our business, and payments under strategic arrangements.

Net cash provided by operating activities was $96.1 million $223.2 million for the three six months ended March 31, 2024 June 30, 2024. The cash flow from operating activities was primarily driven by timing of cash receipts from customers and global service providers, primarily offset by cash payments for personnel-related costs and payments to vendors along with interest payments on our debt obligations.

Net cash provided by operating activities for the three six months ended March 31, 2024 decreased June 30, 2024 increased by $12.4 million $24.0 million as compared to the respective prior year period. This change reflects working capital impacts resulting from the timing of payments and collections as well as interest payments on our debt obligations.

Net Cash Used In Investing Activities

Our primary investing activities have consisted consist of our capital expenditures and expenditures for internal-use software, and intellectual property assets. assets, and cash paid for business acquisitions.

Net cash used in investing activities was $19.4 million $64.0 million for the three six months ended March 31, 2024, primarily due to June 30, 2024 driven by $37.7 million in capital expenditures including personnel-related costs associated with the development of internal-use software, of $13.3 million. and $26.3 million in cash paid to acquire certain assets from Mitel.

Net cash used in investing activities for the three six months ended March 31, 2024 June 30, 2024 increased by $24.9 million as compared to the respective prior year period. The increase was primarily driven by $26.3 million in cash paid for the acquisition of certain assets from Mitel, partially offset by $1.4 million reduction in capital expenditures and costs associated with the development of internal-use software.

Net Cash Used In Financing Activities

Our primary financing activities includes utilizing cash to repurchase Class A Common Stock under our share repurchase programs, servicing and repaying debt, paying contingent consideration, raising capital through stock issuance under our stock plans, paying taxes related to these plans, and meeting our existing financing commitments.

Net cash used in financing activities was $180.9 million for the six months ended June 30, 2024. This was primarily driven by $162.0 million paid to repurchase and retire approximately 4.8 million shares of Class A Common Stock as part of our share repurchase program. Additionally, cash outflows included $12.2 million for debt service costs and debt repayments, $10.3 million for contingent consideration, $4.1 million for taxes associated with our stock plans, and $2.2 million to meet our existing financing commitments. These expenditures were partially offset by $10.0 million in proceeds from issuance of stock in connection with our stock plans.

Net cash used in financing activities for the six months ended June 30, 2024, decreased by $1.9 million $24.0 million as compared to the respective prior year period. The decrease was primarily due to lower capital expenditures $32.9 million net financing cash outflow during the six months ended June 30, 2023, as a result of issuance of new debt and costs associated with internal-use software development.

Net Cash Used In Financing Activities

Our primary use repurchase of cash in financing activities consisted of using our cash to repurchase Class A Common Stock as part of our share repurchase programs, making payments for debt service costs and debt repayments, paying for contingent consideration, paying taxes associated with our stock plans, and fulfilling our existing financing commitments.

convertible notes. Net cash used in financing activities was $94.7 million also decreased by $12.6 million due to reduction in payments for the three months ended March 31, 2024, primarily due to payments of approximately $80.5 million to repurchase and retire approximately 2.4 million shares retirement of our Class A Common Stock under our share repurchase program, $6.9 million for Stock. These decreases were partially offset by a $12.2 million increase in debt service costs and debt repayments $4.1 million for contingent consideration, $2.0 million for taxes associated with our stock plans, and $1.2 million to fulfill our existing financing commitments.

Net cash used in financing activities for the three months ended March 31, 2024 increased by $11.9 million as compared to the respective prior year period, primarily due to higher payments of $6.0 million to repurchase and retire shares of our Class A Common Stock, $4.1 million for contingent consideration, as well as $1.7 million a $9.4 million increase in payments for debt service costs and debt repayments. contingent consideration.

Non-GAAP Free Cash Flow

To supplement our statements of cash flows presented on a GAAP basis, we use non-GAAP measures of cash flows to analyze cash flow generated from our operations. We define free cash flow, a non-GAAP financial measure, as GAAP net cash provided by (used in) operating activities adjusted for capitalized expenditures that include purchases of property and equipment and capitalized internal-use software. We believe information regarding free cash flow provides useful information to management and investors in understanding the strength of liquidity and available cash. A limitation of the use of free cash flow is that it does not represent the total increase or decrease in our cash balance for the period. Free cash flow should not be considered in isolation or as an alternative to cash flows from operations, and should be considered alongside our other GAAP-based financial liquidity performance measures, such as net cash provided by operating activities and our other GAAP financial results.

The following table presents a reconciliation of free cash flow to net cash provided by operating activities, the most directly comparable GAAP measure, for each of the periods presented (in thousands):

	Three Months Ended March 31,			Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Net cash provided by operating activities					
Capitalized expenditures					
Non-GAAP free cash flow					

Remaining Performance Obligations

We have generally signed new customer contracts with typical subscription term ranges ranging from one month to five years. At any point in the contract term, there can be amounts allocated to services that we have not yet contractually performed, which constitute our remaining performance obligations. Until we meet our performance obligations, we do not recognize them as revenues in our condensed consolidated financial statements. Given the variability in our contract length, our remaining performance obligations exclude contracts with an original expected length of less than one year. We believe that our remaining performance obligation is not a reliable indicator of future revenues as it is influenced by several factors, including contract renewal timing, average contract terms and foreign currency exchange rates. We do not utilize remaining performance obligation as a key management metric internally.

Deferred Revenue

Deferred revenue primarily consists of the unearned portion of monthly or annual invoiced fees for our subscriptions, which we recognize as revenue in accordance with our revenue recognition policy. For customers with multi-year contracts, we generally invoice for only one monthly or annual subscription period in advance. Therefore, our deferred revenue balance does not capture the full contract value of multi-year contracts. Accordingly, we believe that deferred revenue is not a reliable indicator of future revenues and we do not utilize deferred revenue as a key management metric internally.

Contractual Obligations and Commitments

Except as set forth below, and in Notes 3, 5, 8 6, 9 and 9 10 in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, there were no significant changes in our commitments under contractual obligations, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Contingencies

We are and may be in the future subject to certain legal proceedings and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other matters relating to various claims that arise in the normal course of business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a significant impact on our results of operations, financial position, and cash flows.

Off-Balance Sheet Arrangements

During the three six months ended March 31, 2024 June 30, 2024 and 2023, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, the allowance for doubtful accounts, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, derivative instruments, provision for income taxes, uncertain tax positions, valuation of contingent consideration, loss contingencies, sales tax liabilities and accrued liabilities. Management periodically evaluates these estimates and will make adjustments prospectively based upon the results of such periodic evaluations. Actual results could differ from these estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Risk

The majority of our sales and contracts are denominated in U.S. dollars, and therefore our net revenue is not currently subject to significant foreign currency risk. As part of our international operations, we charge customers in British Pounds, European Union ("EU") Euro, Canadian Dollars and Australian Dollars, among others. Fluctuations in foreign currency exchange rates and volatility in the market due to global economic conditions could cause variability in our subscriptions revenues, total revenues, annualized exit monthly recurring subscriptions revenues and operating results. Our operating expenses are generally denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., and to a lesser extent in Canada, Europe, and Asia-Pacific. The functional currency of our foreign subsidiaries is generally the local currency. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign currency exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk. During the three and six months ended March 31, 2024 June 30, 2024, a hypothetical 10% change in foreign currency exchange rates applicable to our business business would not have had a material impact on our condensed consolidated financial statements. As our international operations continue to expand, risks associated with fluctuating foreign currency rates may increase. We will continue to reassess our approach to managing these risks.

Interest Rate Risk

As of March 31, 2024 June 30, 2024, we had cash and cash equivalents of $203.1 million $199.3 million. We invest our cash and cash equivalents in short-term money market funds. The carrying amount of our cash equivalents reasonably approximates fair values. Due to the short-term nature of our money-market funds, we believe that exposure to changes in interest rates will not have a material impact on the fair value of our cash equivalents. Interest income may further fluctuate in the future due to interest rate volatility in the current macroeconomic environment. For the three and six months ended March 31, 2024 June 30, 2024, a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income.

As of March 31, 2024 June 30, 2024, we had $161.3 million and $609.1 million outstanding from our 2025 Convertible Notes and 2026 Convertible Notes, respectively. We carry the Convertible Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only. The Convertible Notes have a zero percent fixed annual interest rate and, therefore, we have no economic exposure to changes in interest rates. The fair value of the Convertible Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Convertible Notes will increase as interest rates decline and decrease as interest rates increase. In addition, the fair values of the Convertible Notes are affected by our stock price. The fair value of the Convertible Notes will generally increase as our Class A common stock price increases and will generally decrease as our Class A common stock price decrease in value.

As of March 31, 2024 June 30, 2024, we had no amounts outstanding under our Revolving Credit Facility and $385.0 million $380.0 million outstanding under our Term Loan under our Credit Agreement. Borrowings under our Credit Agreement will bear interest under a floating rate mechanism, which exposes us to interest-rate risk. To address this risk, we entered into a five-year floating-to-fixed interest rate swap agreement with the objective of reducing exposure to the fluctuating interest rates associated with our variable rate borrowing program by paying a fixed interest rate of 3.79%, plus a margin of 2% to 3%. The interest rate swap agreement was effective beginning June 30, 2023, and terminates on February 14, 2028, consistent with the duration of the maturity of the Term Loan. Our interest rate swap agreement is designated as cash flow hedge and highly effective in offsetting changes in our future expected cash flows due to the fluctuation of our variable rate debt.

As of March 31, 2024 June 30, 2024, we had $400.0 million outstanding under our 2030 Senior Notes. The 2030 Senior Notes have fixed annual interest rates, and therefore we do not have economic interest rate exposure on these debt obligations. However, the fair values of our 2030 Senior Notes are exposed to interest rate risk. Generally, the fair values of the 2030 Senior Notes will increase as interest rates fall and decrease as interest rates rise.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs in connection with the operation of our business were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm have a material adverse effect on our business, financial condition and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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, 2024 June 30, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company 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 the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of March 31, 2024 June 30, 2024, 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 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.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this item may be found in Note 9, 10, *Commitments and Contingencies*, in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q under "Legal Matters", which is incorporated herein by reference.

Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this Quarterly Report on Form 10-Q are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. See the section entitled "Special Note Regarding Forward-Looking Statements" of this Quarterly Report on Form 10-Q for a discussion of the forward-looking statements that are qualified by these risk factors. If any of these known or unknown risks or uncertainties actually occurs and have a material adverse effect on us, our business, financial condition and results of operations could be seriously harmed.

Summary Risk Factors

An investment in our Class A Common Stock involves a high degree of risk, and the following is a summary of key risk factors when considering an investment. This is only a summary. You should read this summary together with the more detailed description of each risk factor contained in the subheadings further below and other risks.

- We have incurred significant losses and negative cash flows in the past and anticipate continuing to incur losses for at least the foreseeable future, and we may therefore not be able to achieve or sustain profitability in the future.
- Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.
- We rely on third parties, including third parties in countries outside the U.S., primarily in Georgia and the Philippines for a significant portion of our software development, quality assurance, operations, and customer support.
- Global economic conditions may harm our industry, business and results of operations, including the effects of the ongoing war between Russia and Ukraine and related international sanctions against Russia, the ongoing war between Israel and Hamas, any potential worsening or expansion of these wars, and relations between the United States and China.
- Our historically rapid growth and the quickly changing markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.
- Our future operating results will rely in part upon the successful execution of our relationships with our strategic partners and global service providers, including Avaya, Amazon, Atos, ALE, Mitel (Unify), Charter Communications, Vodafone, DT, Optus, Brightspeed and other partners and resellers, some or all of which may not be successful.
- We face intense competition in our markets and may lack sufficient financial or other resources to compete successfully.

- We rely and may in the future rely significantly on our strategic partners, agents, brokers, resellers, and global service providers to market and sell our subscriptions; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues.
- To deliver our subscriptions, we rely on third parties for our network connectivity and for certain of the features in our subscriptions.

- We rely on third-party competitors to deliver video, contact center and SMS services to customers.

- Interruptions or delays in service from our third-party data center hosting facilities, co-location facilities and other third-party providers could impair the delivery of our subscriptions, require us to issue credits or pay penalties and harm our business.

- Failures in Internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers to switch to our competitors or to avoid using our subscriptions.
- A security incident, such as a cyber-attack, information security breach or denial of service event could delay or interrupt service to our customers, harm our reputation or business, impact our subscriptions, and subject us to significant liability.
- We depend largely on the continued services of our senior management and other highly-skilled employees, and if we are unable to hire, retain, manage and motivate our employees, we may not be able to grow effectively and our business, results of operations and financial condition could be adversely affected.
- Increased customer turnover, or costs we incur to retain and upsell our customers, could materially and adversely affect our financial performance.
- If we are unable to attract new customers to our subscriptions or upsell to those customers on a cost-effective basis, our business will be materially and adversely affected.
- The AI technology and features incorporated into our solutions include new and evolving technologies that may present both legal and business risks.
- Our subscriptions are subject to regulation, and future legislative or regulatory actions could adversely affect our business and expose us to liability in the U.S. and internationally.
- Our Credit Agreement imposes operating and financial restrictions on us.
- Servicing our debt, including the Notes and Credit Agreement, may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay all of our indebtedness.
- The Senior Notes Indenture contains restrictive, operational, and financial covenants that may limit our ability to engage in activities that may be in our long-term best interest.
- For as long as the dual class structure of our common stock as contained in our charter documents is in effect, voting control will be concentrated with a limited number of stockholders that held our stock prior to our initial public offering, including primarily our founders and their affiliates, and limiting other stockholders' ability to influence corporate matters.
- Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to the rights of, our common stockholders, which could adversely affect our liquidity and financial condition.

Risks Related to Our Business and Our Industry

We have incurred significant losses and negative cash flows in the past and anticipate continuing to incur losses for at least the foreseeable future, and we may therefore not be able to achieve or sustain profitability in the future.

We have incurred substantial net losses since our inception. We have historically spent considerable amounts of time and money to develop new business communications solutions and enhanced versions of our existing business communications solutions to position us for future growth. Additionally, we have incurred substantial losses and expended significant resources upfront to market, promote and sell our solutions and expect to continue to do so in the future. We also expect to continue to invest for future growth, including for advertising, customer acquisition, technology infrastructure, storage capacity, services development, regulatory compliance, and international expansion. In addition, as a public company, we incur significant accounting, legal, and other expenses.

We expect to continue to incur losses for at least the foreseeable future and will have to generate and sustain increased revenues to achieve future profitability. Achieving profitability will require us to increase revenues, manage our cost structure, and avoid significant liabilities. Revenue growth has slowed and in the future, revenues may decline, or we may incur significant losses in the future for a number of possible reasons, including general macroeconomic conditions, increasing competition (including competitive pricing pressures), a decrease in customer demand or the growth of the markets in which we compete, in particular the UCaaS, CCaaS and SaaS software-as-a-service ("SaaS") markets, or if we fail for any reason to continue to capitalize on growth opportunities, including those related to our AI-based initiatives. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, service delivery, and quality problems and other unknown factors that may result in losses in future periods, such as our previous write-down charges relating to our strategic partnership with Avaya. periods. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline.

Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.

Our quarterly and annual results of operations have varied historically from period to period, and we expect that they will continue to fluctuate due to a variety of factors, many of which are outside of our control, including:

- our ability to expand and retain existing customers, resellers, partners, and global service providers, and expand our existing customers' user base, and attract new customers;
- our ability to realize the benefits of our existing strategic partnerships global service providers ("GSP") and other strategic GSP relationships that we may enter into in the future;
- our ability to introduce and effectively market and sell new solutions, including both solutions that we develop or license, and solutions we purchase for resale from third parties;
- the actions of our competitors, including pricing changes or the introduction of new solutions;
- our ability to effectively manage our growth; growth and achieve profitability;
- our ability to successfully penetrate the market for larger businesses; businesses and key verticals;
- our ability to upsell our customers to our existing and new products and services;
- our ability to limit and manage downsell down sell and churn;
- our dependency on third-party vendors of hardware, software and services that we resell to our customers; customers and our ability to effectively offer customers an alternate solution;
- the mix of monthly, annual and multi-year subscriptions at any given time;
- the timing, cost, and effectiveness of our advertising and marketing efforts;
- the timing, operating cost, and capital expenditures related to the operation, maintenance and expansion of our business;
- our ability to successfully and timely execute on, integrate, and realize the benefits of any acquisition, investment, strategic partnership, or other strategic transaction or partnership we may make or undertake;
- service outages or actual or perceived information security breaches or incidents caused by us or the third parties upon which we rely and any related impact on our reputation;
- our ability to accurately forecast revenues and appropriately plan our expenses;
- our ability to realize our deferred tax assets;
- costs associated with defending and resolving intellectual property infringement and other claims;
- changes in tax laws, regulations, or accounting rules;
- our ability to effectively manage and repay our existing and any future debt;
- our ability to repurchase shares of Class A Common Stock;
- the retention of our senior management and other key employees, their ability to execute on our business plan and the loss of services of senior management or other key employees, whether in the past or in the future;
- the timing and cost of developing or acquiring technologies, services or businesses, and our ability to successfully manage any such acquisitions;
- our ability to execute our operating plans successfully while reducing costs and optimizing operating margin;
- our ability to generate and grow our non-GAAP free cash flow;
- the impact of foreign currencies on our business as we continue to expand our business internationally; and
- the impact of worldwide economic, political, industry, and market conditions, including the effects of the ongoing war between Russia and Ukraine and related international sanctions against Russia, the ongoing war between Israel and Hamas, any potential worsening or expansion of these or other conflicts and wars, and U.S.-China relations.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations. This variability and unpredictability could result in our failure to meet our publicly announced guidance or the expectations of securities analysts or investors for any period, which could cause our stock price to decline. In addition, a significant percentage of our operating expenses is fixed in nature and is are based on forecasted revenues trends. Accordingly, in the event of revenue shortfalls, we may not be able to mitigate the negative impact on net income (loss) and margins in the short term. If we fail to meet or exceed the expectations of research analysts or investors, the market price of our shares could fall substantially, and we could face costly lawsuits, including securities class-action suits.

We rely on third parties, including third parties in countries outside the U.S., primarily in Georgia and the Philippines, for a significant portion of our software development, quality assurance, operations, and customer support.

We currently depend on various third parties for some of our software development efforts, quality assurance, operations, and customer support services, including third parties in countries outside the U.S. Specifically, we have outsourced some a significant portion of our software development and design, quality assurance, and operations activities to third-party contractors that have employees and consultants in Tbilisi, Georgia.

In addition, we outsource a significant portion of our customer support, inside sales, network operation control functions, and general and administrative activities to third-party contractors located in Manila, the Philippines. We offer customer support through both our online account management website and our toll-free customer support number in multiple languages. The ability to support our customers may be disrupted by natural disasters, inclement weather conditions, civil unrest, strikes, and other adverse events in the Philippines. Furthermore, as we expand our operations internationally, we may need to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in additional foreign languages. We also use third parties to deliver onsite professional services to our customers in deploying our solutions. If these vendors do not deliver timely and high-quality services to our customers, our reputation could be damaged, and we could lose customers. In addition, third-party professional services vendors may not be available when needed, which would adversely impact our ability to deliver on our customer commitments. Our dependence on third-party contractors, including those in countries outside the U.S., creates a number of risks, in particular, the risk that we may not maintain service quality, control, or effective management with respect to these business operations.

We also rely on purchased or leased hardware and software licensed from third parties in order to offer our subscriptions, and in some cases, we integrate third-party licensed software components into our platform. Any errors or defects in third-party hardware or software could result in errors or a failure of our subscriptions which could harm our business.

We anticipate that we will continue to depend on our third-party relationships in order to grow our business for the foreseeable future. If we are unsuccessful in maintaining existing and, if needed, establishing new relationships with third parties, our ability to efficiently operate existing services or develop new services and provide adequate customer support could be impaired, and, as a result, our competitive position or our results of operations could suffer.

A portion of our software development, quality assurance, and network operations workforce is located in Ukraine and Israel, where there are armed conflicts.

In the past, we depended on third-party partners in Russia and Ukraine for software development, quality assurance and operations. Following Russia's invasion of Ukraine, our former third-party partner in Russia ceased its operations and a substantial proportion of its affected personnel relocated to other countries such as Georgia, Spain, and Bulgaria. We are working with our third-party contractor in Ukraine and in Georgia to relocate their personnel to Spain, Bulgaria, and other countries; and we have had to further relocate and in the future may need to relocate some of these personnel to still other countries; however, we cannot assure you that we can permanently relocate them in a cost effective manner, or at all. In addition, we have discontinued our partner operations in Ukraine, which has disrupted our development efforts and our release of new features. We have incurred, and may in the future further incur, increased costs associated with managing or assisting in relocating our partners' personnel or engaging with alternative third-party contractors or hiring employees outside of Russia and Ukraine, which could negatively impact our operating results and financial condition.

We also have engineering operations located in Israel, which continues to be affected by the war between Israel and Hamas and related regional tension. This ongoing and evolving conflict, as well as the war between Russia and Ukraine, could create or heighten global security concerns, increase the risk of cyber-attacks, and have a lasting impact on regional and global economies, all of which could have a material adverse effect on our business, financial condition and results of operations.

Global economic conditions may harm our industry, business and results of operations, including the effects of the ongoing war between Russia and Ukraine and related international sanctions against Russia, the ongoing war between Israel and Hamas, any potential worsening or expansion of these wars, and relations between the United States and China.

We operate globally and, as a result, our business, revenues and profitability are impacted by local microeconomic and global macroeconomic conditions. The success of our activities is affected by general economic and market conditions, including, among others, inflation rate fluctuations, interest rates, supply chain constraints, lower consumer confidence, volatile equity capital markets, tax rates, economic uncertainty, political instability, changes in laws, instability in the banking and financial system, and trade barriers and sanctions. Recently, inflation and interest rates in the U.S. have risen to levels not seen in several years, which has increased and may continue to increase our operating costs. In addition, such Such economic volatility could adversely affect our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. Further, any U.S. federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, and other budgetary decisions limiting or delaying government spending, may negatively impact U.S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets. Unfavorable economic conditions could increase our operating costs and, because our typical contracts with customers lock in our price for a few years such that we are generally unable to make corresponding increases in contract pricing, our profitability could be negatively affected. Geopolitical destabilization could impact global currency exchange rates, supply chains, trade and movement of resources, the price of commodities such as energy, as well as demand for our products and services, which may adversely affect the technology spending of our customers and potential customers. Geopolitical conflicts, including the effects of the ongoing war between Russia and Ukraine and related international sanctions against Russia, the ongoing war between Israel and Hamas, conflicts in the Middle East, any potential worsening or expansion of these conflicts and wars, and U.S.-China relations, are heightening these risks.

The upcoming U.S. presidential election could lead to changes in economic conditions or economic uncertainties in the United States and globally. Any such changes or uncertainties, including in international trade relations, legislation and regulations (including those related to taxation and importation), or economic and monetary policies, could result in heightened diplomatic tensions or political and civil unrest, among other potential impacts, and have a material adverse effect on the global economy as a whole and/or our business, or may require us to significantly modify one or more of our current business practices.

Some of our international agreements provide for payment denominated in local currencies, and the majority of our local costs are denominated in local currencies. Fluctuations in the value of the U.S. dollar versus foreign currencies may impact our operating results when translated into U.S. dollars. Thus, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound Sterling, Bulgarian Lev, Chinese Yuan, Indian

Rupee, Canadian Dollar, Australian Dollar, and Singapore Dollar, and may be adversely affected in the future due to changes in foreign currency exchange rates. While we have limited currency exchange exposure to the Georgian, Israeli, and Philippine currencies, we expect exchange rates with respect to these and other currencies to continue to be more volatile than previously normal as a result of the ongoing armed conflict in Israel and other regions. Certain changes in exchange rates have and may continue to negatively affect our revenues, expenses, and other operating results as expressed in U.S. dollars in the future.

Our historically rapid growth and the quickly changing markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.

We have grown rapidly since 2009, when we introduced RingCentral MVP (now RingEX), our flagship product. We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If our assumptions regarding these uncertainties are incorrect or change in reaction to changes in our markets, or if we do not manage or address these risks successfully, our results of operations could differ materially from our expectations, and our business could suffer.

Growth may place significant demands on our management and our infrastructure.

We continue to experience growth in our business. This growth has placed and may continue to place significant demands on our management, organizational structure, and our operational and financial infrastructure, particularly as we try to become more profitable and financially and operationally efficient. As our operations grow in size, scope, continue to scale and complexity, become more complex, we may need to increase our sales and marketing efforts and may add additional sales and marketing personnel in various regions worldwide and improve and upgrade our systems and infrastructure to attract, service, and retain an increasing number of customers. For example, we expect the volume of simultaneous calls and video conferences to increase significantly as our customer base grows. Our network hardware and software may not be able to accommodate this additional simultaneous call volume. The expansion of our systems and infrastructure could require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Any such additional capital investments will increase our cost base.

Continued growth could also strain our ability to maintain reliable service levels for our customers, resellers, partners, and global service providers, develop and improve our operational, financial and management controls, enhance our billing and reporting systems and procedures, and recruit, train and retain highly skilled personnel. In addition, our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. We may also experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software licensed to help us with such improvements. Any future growth, particularly further international expansion and the transition to a multi-product company, could add complexity to our organization, require effective communication and coordination throughout our organization, and result in additional costs. For example, such expansion may require us to set up regional and country governance models to manage our operations in certain countries, which may result in incremental general and administrative expenses. To manage any future growth effectively, we must continue to improve and expand our information technology and financial, operating, security and administrative systems and controls, and our business continuity and disaster recovery plans and processes. Additionally, our productivity and the quality of our solutions and services may be adversely affected if we do not integrate and train our new employees quickly and effectively. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, results of operations and financial condition could be materially and adversely affected.

Our future operating results will rely in part upon the successful execution of our relationships with our strategic partners and global service providers, including Avaya, Amazon, Atos, ALE, Mitel (Unify), Charter Communications, Vodafone, DT, Optus, Brightspeed, and other partners and resellers, some or all of which may not be successful.

A strategic partnership between two independent businesses is a complex, costly, and time-consuming process that requires significant management attention and resources. Realizing the benefits of our partnerships, particularly our relationships with our strategic partners and global service providers, including Avaya, Atos, ALE, Mitel (Unify), Charter Communications, Vodafone, DT, Optus, and Brightspeed, will depend on a variety of factors, including our ability to work with our strategic partners to develop, market and sell our RingEX and co-branded solutions, such as Avaya Cloud Office by RingCentral (“ACO”), and our other offerings. Setting up and maintaining the operations and processes of these strategic relationships may cause us to incur significant costs and disrupt our business. The failure to successfully, effectively, and timely implement and operate our strategic relationships could harm our ability to realize the anticipated benefits of one or more of these partnerships and could adversely affect our results of operations. In addition, our ability to successfully operate our strategic partnerships relies on partner performance, which can be affected by financial conditions, insolvency, corporate restructures, divestiture, changes in management, changes in control, and other changes affecting our partners’ business operations.

We face intense competition in our markets and may lack sufficient financial or other resources to compete successfully.

The cloud-based business communications and collaboration solutions industry is highly competitive, and we expect competition to increase in the future. We face intense competition from other providers of business communications UCaaS, CCaaS, Communications Platform as a Service (“CPaaS”), messaging, video, fax, virtual events, AI (quality management, sales assistant and collaboration systems other AI driven functionalities), virtual assistant, work-force management/optimization (“WFM/WFO”) and solutions.

other communication products and services. Our competitors include traditional on-premises, hardware business communications providers, cloud,

hybrid and hosted communications providers, global internet service providers, global service providers and each of their channel partners, resellers, distributors and agents who offer proprietary or other third-party cloud business communications products and services. As a result, several of the companies with whom we have commercial relationships, such as ALE, Avaya, Cisco Systems, Mitel, NEC Corporation, Siemens Enterprise Networks, LLC, their resellers, agents and others, as well as companies such as Microsoft Corporation and Cisco Systems, Inc., and their resellers that license their software. In addition, certain of our global service providers, OEM resellers, partners and strategic channel partners, such as AT&T, BT, TELUS, Vodafone, DT, Amazon, Avaya, Atos, ALE, and Mitel (Unify) also offer, market and sell our solutions, competing products and services.

Our competitors include but they are also competitors for business communications services, selling and marketing their own solutions as well as, in some cases, other third-party solutions. Some of these companies may have significantly greater resources than us and currently, or may in the future, develop and/or host their own solutions through the cloud. Such competitors may not be successful in or cease marketing and selling our solutions to their customers and may ultimately be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues and growth. We also face competition from other companies and established communications providers that resell on-premises hardware, software, cloud and hosted solutions, such as limited to: 8x8, Inc., Amazon.com, Inc., Dialpad, Inc., LogMeIn, Inc, Microsoft Corporation, Nextiva, Inc., Twilio Inc., Vonage Holdings Corp. Ericsson (Vonage), and Zoom Video Communications, Inc., which has introduced a voice solution. Established communications providers, such as Amazon.com, Inc., AT&T, Verizon Communications Inc. BT, TELUS, Vodafone, Deutsche Telekom ("DT"), T-Mobile, and Comcast Corporation in the U.S. Avaya, Mitel, Cisco (WebEx), TELUS and others in Canada, Telefonica Spain, DT, and BT, Vodafone Group plc, and others in the U.K., that resell on-premises hardware, software, and hosted solutions, compete with us in business communications and currently, or may in the future, develop and/or host their own cloud solutions. We may also face competition from other large Internet companies, such as Alphabet Inc. (Google Voice), Meta Platforms, Inc., Oracle Corporation, and Salesforce.com, Inc., any of which might launch its own cloud-based business communications services or acquire other cloud-based business communications companies in the future. We also compete against providers of communications platform as a service solutions and messaging software platforms with APIs such as Twilio Inc., and Slack Technologies, Inc. (acquired by Salesforce, Inc.), on which customers can build diverse solutions by integrating cloud communications into business applications. We face competition with respect to this solution from contact center and customer relationship management providers such as Amazon.com, Inc., Avaya, Five9, Inc., NICE InContact (including LiveVox Holdings, Inc.), Genesys Telecommunications Laboratories, Inc., Talkdesk, Inc., Vonage Holdings Corp., Salesforce.com, Inc., Verint, Calabrio, yellow.ai, ON24, Cvent, Gong and Twilio Inc. We also face competition from digital engagement vendors such as eGain Corporation, LivePerson, Inc., among others named above that may offer similar features. Outreach.

Many of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, more diversified offerings, international presence, and larger customer bases than we have. As a result, these competitors may have greater credibility with our existing and potential customers and may be better able to withstand an extended period of downward pricing pressure. In addition, certain of our competitors have partnered with, or been acquired by, and may in the future partner with or acquire, other competitors to offer services, leveraging their collective competitive positions, which makes it more difficult to compete with them and could significantly and adversely affect our results of operations. Demand for our platform is also sensitive to price. Many factors, including our marketing, user acquisition and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. Our competitors may be able to adopt more aggressive pricing policies and promotions and devote greater resources to the development, promotion and sale of their services than we can to ours. Some of these service providers competitors have in the past and may choose in the future to sacrifice revenues in order and/or profitability to gain market share by offering their services at lower prices or for free, or offering alternative pricing models, such as "freemium" pricing, in which a basic offering is provided for free with advanced features provided for a fee, on the services they offer. Our competitors may also offer bundled service arrangements offering a more complete service offering with other functionality that we do not offer (such as broadband), despite the technical merits or advantages of our subscriptions. Competition could result in a decrease to our prices, increase customer acquisition costs, slow our growth, increase our customer turnover, reduce our sales, or decrease our market share. share, any or all of which could materially and adversely affect our revenues and growth.

We rely and may in the future rely significantly on our strategic partners, agents, brokers, resellers, and global service providers to market and sell our subscriptions; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues.

Our future success depends on our continued ability to establish and maintain a network of channel relationships. relationships and partnerships, including GSPs and Avaya. A substantial portion of our revenues is derived from our network of sales agents, brokers, and resellers, which we refer to collectively as channel partners, many of which sell or may in the future decide to sell their own business communications services or business communications services from other providers. Governmental regulators and contractual restrictions with telecom carriers may also restrict the ability of our channel partners and resellers to resell our products and services in some countries. We generally do not have long-term contracts with these channel partners, and the loss of or reduction in sales through these third parties could materially reduce our revenues. Our competitors may in some cases be effective in causing our current or potential channel partners to favor their services or prevent or reduce sales of our subscriptions. Furthermore, while some of our strategic partners and global service providers, GSPs, such as AT&T, BT, TELUS, Vodafone and DT, as well as Avaya, Atos, ALE, and Mitel (Unify) also sell and market our solutions on an exclusive or non-exclusive basis, they may also sell and market competing business communications. Some of these companies have significantly greater resources than us and currently, or may in the future, develop and/or host their own or third-party cloud solutions. Such competitors may cease marketing or selling our solutions to their customers and may ultimately be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues and growth.

We have also entered into certain agreements with our strategic partners and global service providers to sell and market certain of our solutions. However, there can be no guarantee that our strategic partners, global service providers and/or any of their respective channel partners will be successful in marketing or selling our solutions or that they will not cease marketing or selling our solutions in the future. In addition, from time to time, we have had disagreements with Further, certain of our strategic partners. Further, certain partners have failed in the past, and may fail in the future, to meet their minimum contractual seat and/or revenue commitments, including recoupment of advance payments. The Company has We have in the past, and may in the future, renegotiate the terms of its our GSP relationships and strategic partnership agreements, including converting strategic partners from exclusive to non-exclusive partners.

In addition, we are in the process of transforming generally our channel partner go-to-market strategy, with increasing enablement of to better enable a resale/wholesale model, which requires significant changes to our systems and processes. These system and process changes could result in longer time to implement our strategy which could have an impact on our revenue.

If our strategic partners and global service providers and/or any of their respective channel partners are not successful in marketing and selling our solutions or cease to market and sell our solutions, our revenues and growth could be significantly and adversely affected. If we fail to maintain relationships with our channel partners, global service providers and strategic partners or fail to develop new and expanded relationships in existing or new markets, or if our networks of indirect channel relationships are not successful in their sales efforts, sales of our subscriptions may decrease and our operating results would suffer. In addition, we may not be successful in managing, training, and providing appropriate incentives to our existing resellers and other channel partners, global service providers and strategic partners, and they may not be able to commit adequate resources in order to successfully sell our solutions.

To deliver our subscriptions, we rely on third parties for our network connectivity and for certain of the features in our subscriptions.

We currently use the infrastructure of third-party network service providers, including Inteliquent, Inc., Lumen Technologies, Inc. and Bandwidth.com, Inc. in North America and several others internationally, to deliver our subscriptions over their networks. Our third-party network service providers provide access to their Internet protocol ("IP") networks and public switched telephone networks, and provide call termination and origination services, including 911 emergency calling in the U.S. and equivalent services internationally, and local number portability for our customers. We expect that we will continue to rely heavily on third-party network service providers to provide these subscriptions for the foreseeable future.

Through our wholly-owned local exchange carrier subsidiary, RCLEC, Inc. ("RCLEC"), we also obtain certain connectivity and network services directly from incumbent local exchange carriers ("ILECS") and from other competitive local exchange carriers ("CLECs") in certain geographic markets at lower prices than we pay for such services through third-party network service providers. However, RCLEC also uses the infrastructure of third-party network service providers to deliver its services and the ILECs may favor themselves and their affiliates and may not provide network services to us at lower prices than we could obtain through third-party CLECs, or at all. If we are unable to continue to reduce our pricing as a result of obtaining network services through our subsidiary, we may be forced to rely on other third-party network service providers and be unable to effectively lower our cost of service. Historically, our reliance on third-party networks has reduced our operating flexibility and ability to make timely service changes and control quality of service, and we expect that this will continue for the foreseeable future. If any of these network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis or at reasonable levels of quality and security, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to another third-party network service provider, if one is available, could have a material adverse effect on our business and results of operations.

In addition, we currently use and may in the future continue to use third-party service providers to deliver certain features of our subscriptions. For example, although we introduced our own video and web conferencing solution in April 2020 and have migrated many of our customers to RingCentral Video, there are still customers who continue to use Zoom Video Communications, Inc. for HD video and web conferencing and screen sharing features, Bandwidth.com for texting capabilities, and NICE inContact, Inc. for contact center capabilities. In the future, we may not continue to have long-term contracts with any or all of these third-party providers. In the same way, our customers may from time to time require that we resell them third-party software, hardware and services that we do not regularly offer. Therefore, in some instances, we are required to obtain these software, hardware and services from third-party providers. Any of these service providers could elect or attempt to stop providing us with access to their services or our contracts with these third-party providers may terminate, expire, or be breached. If any of these service providers ceases to provide us with their services, fails to provide these services to us on a cost-effective basis or at reasonable levels of quality and security, ceases operations, or otherwise terminates or discontinues these services, the delay caused by qualifying and switching to another third-party service provider, if one is available, or building a proprietary replacement solution could have a material adverse effect on our business and results of operations. Furthermore, we are no longer offering or selling RingCentral Meetings to new customers and are instead offering our own RingCentral Video solution, and, in light of our settlement with Zoom, we believe that we will be able to migrate all or substantially all of our customers to RingCentral Video. Nevertheless, it is possible that not all existing customers will migrate to RingCentral Video. Therefore, our inability to offer and sell RingCentral Meetings, or to successfully transfer existing customers to our own solution, may cause some prospective customers not to purchase our services and/or existing customers not to renew their contracts for our services or to renew for a fewer number of seats.

Relatedly, U.S. mobile carriers are now requiring businesses using SMS on over-the-top providers, including all Communications Platform as a Service ("CPaaS") and UCaaS providers, such as RingCentral, to register with The Campaign Registry ("TCR"), to ensure text messages are compliant with wireless carrier guidelines, as well as to reduce spam. These new rules affect our customers, and we have built integrations with TCR to facilitate those registrations for our customers. TCR registration and related vetting can be cumbersome and costly and may cause customer churn, especially for SMB customers that have more limited person-to-person SMS needs. In the future, customers who are not registered with TCR may not be able to send or receive SMS using our service. Additionally, SMS aggregators and wireless carriers sometimes block legitimate SMS traffic without prior notice, which may negatively impact our customers.

Finally, if problems occur with any of these third-party network or service providers, it may cause errors or poor call quality in our subscriptions, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or poor call quality in our subscriptions, whether caused by our systems or a third-party network or service provider, may result in the loss of our existing customers, delay or loss of market acceptance of our subscriptions, termination of our relationships and agreements with our channel partners, strategic partners, or global service providers, or liability for failure to meet service level agreements which may require us to issue service credits or pay damages, and may seriously harm our business and results of operations.

We rely on third-party competitors to deliver video, contact center and SMS services to customers.

We currently use third-party technology from Zoom, NICE inContact and Bandwidth to provide video, contact center and SMS solutions, respectively, to certain of our customers. We use, or in the future, may use and rely on technologies of other third-parties to deliver features and functionalities. We cannot assure you that we will be able to renew our agreements with any of these third-party providers and any of these service providers could elect or attempt to stop providing us with access to their services. In addition, these third-party providers may terminate their or breach their contracts with us, or allow these contracts to expire. If any of these service providers ceases to provide us with their services, fails to provide these services to us on a cost-effective basis or at reasonable levels of quality and security, ceases operations, or otherwise terminates or discontinues these services, it could have a material adverse effect on our business and results of operations. Our inability to continue to offer Zoom and NICE InContact solutions to our customers and/or our inability to effectively offer our own or other third-party solutions would have a material adverse effect on the company, operations, revenues and financials.

Relatedly, U.S. mobile carriers are now requiring businesses using SMS on over-the-top providers, including all CPaaS and UCaaS providers, such as RingCentral, to register with The Campaign Registry ("TCR"), to ensure text messages are compliant with wireless carrier guidelines, as well as to reduce spam. These new rules affect our customers, and we have built integrations with TCR to facilitate those registrations for our customers. TCR registration and related vetting can be cumbersome and costly and may cause customer churn, especially for SMB customers that have more limited person-to-person SMS needs. Additionally, SMS aggregators and wireless carriers sometimes block legitimate SMS traffic without prior notice, which may negatively impact our customers. Bandwidth, RingCentral's SMS aggregator, has announced that starting December 1, 2024, they will block any and all SMS sent by phone numbers that have not been registered with TCR and associated with an approved messaging campaign. Our inability to provide SMS to affected customers would have a material adverse effect on the company, its operations and financials.

We also offer solutions through third-party integrations, such as with Microsoft and Salesforce, often where we may not have recourse to the underlying third-party provider. For example, we offer a direct routing integration with Microsoft Teams; however, there is a limited certification process for the Microsoft Teams direct routing integration, which is offered by Microsoft at its option, and Microsoft may elect to discontinue the integration in the future. Microsoft might also promote or encourage or alternatively discourage these solutions through their field teams without any standardization. Our inability to provide some or all of our third-party integrations could cause customers to seek other solutions and would likely have a material adverse effect on the Company, its operations, revenues and financials.

We rely on third-party software that may be difficult to replace or which could cause errors or failures of our subscriptions.

We rely on software licensed from certain third parties in order to offer our solutions. In some cases, we integrate third-party licensed software components into our platform. This software may not continue to be available at reasonable prices or on commercially reasonable terms, or at all. Any loss of the right to use any of this software could significantly increase our expenses and otherwise result in delays in the provisioning of our solutions until equivalent technology is either developed by us, or, if available, is identified, obtained, and integrated. Any errors or defects in third-party software could result in errors or a failure of our solutions, which could harm our business.

Interruptions or delays in service from our third-party data center hosting facilities co-location facilities and other third-party providers could impair the delivery of our subscriptions, require us to issue credits or pay penalties and harm our business.

We currently serve our North American customers from geographically disparate data center hosting facilities in North America, where we lease space from Equinix, Inc., and other providers, and we serve our European customers from third-party data center hosting facilities in Europe. We also use third-party co-location facilities located in various international regions to serve our customers in these regions. Certain of our solutions are hosted by third-party data center facilities including Amazon Web Services, Inc. ("AWS"), NICE inContact, Inc., and Google Cloud Platform. In addition, RCLEC uses third-party co-location facilities to provide us with network services at several locations. Damage to, or failure of, these facilities, the communications network providers with whom we or they contract, or with the systems by which our communications providers allocate capacity among their customers, including us, or software errors, have in the past and could in the future result in interruptions in our services. Additionally, in connection with the addition of new data centers or expansion or consolidation of our existing data center facilities, we may move or transfer our data and our customers' data to other data centers. Despite precautions that we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our subscriptions. Interruptions in our subscriptions may reduce our revenues, may require us to issue credits or pay penalties, subject us to claims and litigation, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new and retain existing customers. Our ability to attract and retain customers depends on our ability to provide customers with a highly reliable subscription and even minor interruptions in our subscriptions could harm our brand and reputation and have a material adverse effect on our business.

As part of our current disaster recovery arrangements, our North American, European, and European Asia Pacific infrastructure and our North American, European, and European Asia Pacific customers' data is currently replicated in near real-time at data center facilities in the U.S., Europe, and Europe, Asia Pacific, respectively. We do not control the operation of these facilities or of our other data center facilities or RCLEC's co-location facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They may also be subject to human error or to break-ins, sabotage, acts of vandalism, and similar misconduct.

Despite precautions taken at these facilities, the occurrence of a natural disaster, public health crisis or pandemic, human error, cybersecurity incident, including ransomware or denial-of-service attack, an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our subscriptions. Even with the disaster recovery arrangements in place, our subscriptions could be interrupted.

We may also be required to transfer our servers to new data center facilities in the event that we are unable to renew our leases on acceptable terms, if at all, or the owners of the facilities decide to close their facilities, and we may incur significant costs and possible subscription interruption in connection with doing so. In addition, any financial difficulties, such as bankruptcy or foreclosure, faced by our third-party data center operators, or any of the service providers with which we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our increasing needs for capacity, our ability to grow our business could be materially and adversely impacted.

We rely on third parties to fulfill various aspects of our E-911 service. If these third parties do not provide our customers with reliable, high-quality service, our reputation will be harmed, and we may lose customers.

We contract with third parties to provide emergency services calls in the U.S., Canada, the U.K., and other jurisdictions in which we provide access to emergency services dialing, including assistance in routing emergency calls and terminating emergency services calls. Our domestic providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain PSAP databases for the purpose of deploying and operating E-911 services. We rely on providers for similar functions in other jurisdictions in which we provide access to emergency services dialing. On mobile devices, we rely on the underlying cellular or wireless carrier to provide emergency services dialing. Interruptions in service from our vendors could cause failures in our customers' access to E-911/999/112 services and expose us to liability and damage our reputation.

If these third parties do not provide reliable, high-quality service, or the service is not provided in compliance with regulatory requirements, our reputation and our business will be harmed. In addition, industry consolidation among providers of services to us may impact our ability to obtain these services or increase our costs for these services.

Failures in Internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers to switch to our competitors or to avoid using our subscriptions.

Unlike traditional communications services, our subscriptions depend on our customers' high-speed broadband access to the Internet. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our services and applications due to capacity constraints and other Internet infrastructure limitations. As our customer base grows and their usage of our services increases, we will likely be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high reliability or performance. In addition, if Internet access service providers have outages or deteriorations in their quality of service, our customers will not have access to our subscriptions or may experience a decrease in the quality of our services. Frequent or persistent interruptions could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or to avoid our subscriptions, and could permanently harm our reputation and brands.

In addition, users who access our subscriptions and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi®, 4G, 5G, or LTE, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent phone companies, cable companies, and wireless companies. Some of these providers offer solutions and subscriptions that directly compete with our own offerings, which can potentially give them a competitive advantage. Also, these providers could take measures that degrade, disrupt or increase the cost of user access to third-party services, including our offerings, by restricting or prohibiting the use of their infrastructure to support or facilitate third-party services or by charging increased fees to third parties or the users of third-party services, any of which would make our subscriptions less attractive to users, and reduce our revenues.

Interruptions in our services caused by undetected errors, failures, or bugs in our services could harm our reputation, result in significant costs to us, and impair our ability to sell our subscriptions.

Our services may have errors or defects that customers identify after they begin using them that could result in unanticipated interruptions of service. Internet-based services frequently contain undetected errors and bugs when first introduced or when new versions or enhancements are released. While the substantial majority of our customers are small and medium-sized businesses, the use of our services in complicated, large-scale network environments may increase our exposure to undetected errors, failures, or bugs in our services. Although we test our services to detect and correct errors and defects before their general release, we have, from time to time, experienced significant interruptions in our services as a result of such errors or defects and may experience future interruptions of service if we fail to detect and correct these errors and defects. The costs incurred in correcting such defects or errors may be substantial and could harm our results of operations. In addition, we rely on hardware purchased or leased and software licensed from third parties to offer our services.

Any defects in, or unavailability of, our or third-party software or hardware that cause interruptions of our services could, among other things:

- cause a reduction in revenues or a delay in market acceptance of our services;
- require us to pay penalties or issue credits or refunds to our customers, channel partners, strategic partners, or global service providers, or expose us to claims for damages;
- cause us to lose existing customers and make it more difficult to attract new customers;
- divert our development resources or require us to make extensive changes to our software, which would increase our expenses and slow innovation;
- increase our technical support costs; and
- harm our reputation and brand. brand; and
- result in litigation and regulatory action against the company.

A security incident, such as a cyber-attack, information security breach or denial of service event could delay or interrupt service to our customers, harm our reputation or business, impact our subscriptions, and subject us to significant liability.

Our operations depend on our ability to protect our production and corporate information technology services from interruption or damage from cyber-attacks, denial-of-service events, social engineering data breaches, unauthorized entry, insider threats, rogue employees or contractors, computer malware or other security incidents, including events beyond our control. Although we require our employees to undertake privacy and cybersecurity training, we have from time to time been subject to communications fraud, data breaches caused by social engineering tactics, and cyber-attacks by malicious actors, and denial of service events, and we may be subject to similar attacks in the future, particularly as the frequency and sophistication of cyber-attacks increases. For example, an cybersecurity researchers have warned of a potential increase in cyber-attack activity, such as ransomware and phishing attacks, has been observed in connection with of the war between Russia and Ukraine. We cannot assure you that our backup systems, regular data backups, security controls, personal training, and other procedures currently in place, or that may be in place in the future, will be adequate to prevent significant damage, system failure, service outages, data breach, data loss, unauthorized access, loss of use, interruption, or increased charges from our technology vendors.

Also, our services are web-based. The amount of data we store for our customers and users increases as our business grows. We host services, which includes hosting customer data, both in co-located data centers and in multiple public cloud services. Our solutions allow users to store files, tasks, calendar events, messages and other data indefinitely on our services indefinitely or as may be directed by our customers, although we have begun instituting in our customer agreements a provision that customer content and certain other customer data will be deleted upon at least until termination of the agreements. agreement. We also maintain sensitive data related to our technology and business, and that of our employees, strategic partners, global service providers, channel partners, and customers, including intellectual property, proprietary business information and personally identifiable information (also called personal data) on our own systems and in multiple vendors' cloud services. As a result of maintaining larger volumes of data and user files and/or as a result of our continued movement up market, or movement into new customer segments and acquisition of larger and more recognized customers, we may become more of a target for hackers, nation states and other malicious actors.

In addition, we use third-party vendors who, in some cases, have access to our data and our employees', partners', and customers' data. We employ layered security measures and have a means of working with third parties who report vulnerabilities to us. Despite the implementation of security measures by us or our vendors, our computing devices, infrastructure, or networks, or our vendors' computing devices, infrastructure, or networks have in the past, and may in the future, be vulnerable to hackers, computer viruses, worms, ransomware, other malicious software programs, employee theft or misuse, phishing, denial-of-service attacks, or similar disruptive problems that are caused by or through a security weakness or vulnerability in our or our vendors' infrastructure, network, or business practices or our or our vendors' customers, employees, business partners, consultants, or other Internet users who attempt to invade our or our vendors' corporate and personal computers, tablets, mobile devices, software, data networks, or voice networks. Security weaknesses or vulnerabilities in our, our vendors', or our customers' infrastructure, networks, or business practices that are successfully targeted could lead to increased costs, liability claims, including contractual liability claims relating to security obligations in agreements with our partners and our customers, fines, claims, investigations and other proceedings, reduced revenue, or harm to our reputation or competitive position. In addition, even if not targeted, in strengthening our security controls or in remediating security vulnerabilities, we could incur increased costs and capital expenditures.

We have implemented remote working protocols and offer work-issued devices to certain employees, but the actions of employees while working remotely may have a greater effect on the security of our infrastructure, networks, and the information, including personally identifiable information, we process, including for example by increasing the risk of compromise to systems or data arising from employees' combined personal and private use of devices, accessing our networks or information using wireless networks that we do not control, or the ability to transmit or store company-controlled information outside of our secured network. Although many of these risks are not unique to the remote working environment, they have been heightened by the dramatic increase in the numbers of our employees who have been and are continuing to work from home since the onset of the COVID-19 pandemic. We also allow a substantial number of our employees who are designated "remote" to primarily currently work from home and "hybrid" to work from home several days per quarter, some or all of the time, although we may change our work from home/return-to-office policy in the future. Our employees' or third parties' intentional, unintentional, or inadvertent actions may increase our vulnerability or expose us to security threats, such as ransomware, other malware and phishing attacks, and we may remain responsible for unauthorized access to, loss, alteration, destruction, acquisition, disclosure or other processing of information we or our vendors, business partners, or consultants process or otherwise maintain, even if the security measures used to protect such information comply with applicable laws, regulations and other actual or asserted obligations. Additionally, due to political uncertainty and military actions and related activities associated with the war between Russia and Ukraine and the war between Israel and Hamas, we and our vendors, business partners, and consultants are vulnerable to heightened risks of cyber-attacks from nation-state actors or their affiliated entities, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our services. Also, cyber-attacks, including on the supply chain (including our software supply chain), continue to increase in frequency and magnitude, and we cannot provide assurances that our preventative efforts, or those of our suppliers, will be successful.

We rely on encryption and authentication technology to ensure secure transmission of and access to confidential information, including customer credit card numbers, debit card numbers, direct debit information, customer communications, and files uploaded by our customers. Advances in computer capabilities, new discoveries in the field of cryptography, discovery of software bugs or vulnerabilities, discovery of hardware bugs or vulnerabilities, social engineering activities, or other developments may result in a compromise or breach of the technology we use to protect our data and our customer data, or of the data itself. We also have incorporated AI-powered features into our solutions and may continue to incorporate additional AI features and technologies into our solutions in the future. Our use of AI features and technologies may create additional cybersecurity risks or increase cybersecurity risks, including risks of security breaches and incidents. Further, AI technologies may be used in connection with certain cybersecurity attacks, resulting in heightened risks of security breaches and incidents.

Additionally, third parties have attempted in the past successfully induced, and may attempt in the future to induce using social engineering or other methods, domestic and international employees, consultants, or customers into disclosing sensitive information, such as usernames, provisioning data, customer proprietary network information ("CPNI") or other information in order to gain access to our customers' user accounts or data, or to our data. CPNI includes information such as the phone numbers called by a customer, the frequency, duration, and timing of such calls, and any services purchased by the consumer, such as call waiting, call forwarding, and caller ID, in addition to other information that may appear on a customer's bill. Third parties may also attempt to induce employees, consultants, or customers into disclosing information regarding our and our customers' intellectual property, personal data and other confidential business information. In addition, the techniques used to obtain unauthorized access, to perform hacking, phishing and social engineering, or to sabotage systems change and evolve frequently and may not be recognized until launched against a target, may be new and previously unknown or little-known, or may not be detected or understood until well after such actions are conducted. We may be unable to anticipate these techniques or to and therefore cannot implement adequate appropriate preventative measures, and any security breach or other incident may take longer than expected to remediate or otherwise address. Any system failure or security breach or incident that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our or our customers' confidential or personal information could result in significant liability to us, loss of our intellectual property, cause our subscriptions to be perceived as not being secure, cause considerable harm to us and our reputation (including requiring notification to customers, regulators, or the media), and deter current and potential customers from using our subscriptions. Any of these events could have a material adverse effect on our business, results of operations, and financial condition.

It is critical to our business that our sensitive information and that of our employees', strategic partners', global service providers', channel partners' and customers' remains secure and that our customers perceive that this information is secure. An information security incident could result in unauthorized access to, loss of, or unauthorized disclosure of such information. A cybersecurity breach or incident could expose us to litigation, indemnity obligations, government notification and investigations, contractual liability, and other possible liabilities. Additionally, a cyber-attack or other information security incident, whether actual or perceived, could result in negative publicity, which could harm our reputation and reduce our customers' confidence in the effectiveness of our solutions, which could materially and adversely affect our business and operating results. A breach of our security systems could also expose us to increased costs, including remediation costs, disruption of operations, or increased cybersecurity protection costs, that may have a material adverse effect on our business. In addition, a cybersecurity breach or incident of our customers' systems can also result in exposure of their authentication credentials, unauthorized access to their accounts, exposure of their account information and data (including CPNI), and fraudulent calls on their accounts, which can subsequently have similar actual or perceived impacts to us as described above. A cybersecurity breach or incident of our partners' or vendors' systems can result in similar actual or perceived impacts.

While we maintain cybersecurity insurance, our insurance may be insufficient to cover all liabilities incurred by privacy or security incidents. We also cannot be certain that our insurance coverage will be adequate sufficient for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Laws, regulations, and enforcement actions relating to security and privacy of information continue to evolve. For example, with respect to security, in 2023, the SEC recently adopted cybersecurity risk management and disclosure rules, which require the disclosure of information pertaining to cybersecurity incidents and cybersecurity risk management, strategy, and governance. Additionally, we are closely monitoring the development of rules and guidance that may apply to us, including, for example, pursuant to the Cyber Incident Reporting for Critical Infrastructure Act of 2022. The Federal Communications Commission ("FCC") recently announced the formation of a Privacy and Data Protection Task Force that will focus on approaches to data breaches and data security vulnerabilities, which may result in privacy rulemaking and enforcement initiatives. We have incurred and expect to continue to incur significant expenses to prevent security incidents. Determining whether a cybersecurity incident is notifiable or reportable may not be straightforward and may be costly and could lead to negative publicity, loss of customer or partner confidence in the effectiveness of our security measures, diversion of management's attention, governmental investigations, and the expenditure of significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security breach. It is possible that, in order to support changes to applicable laws and to support our expansion of sales into new geographic areas or into new industry segments, we will need to change or enhance our cybersecurity systems, which may make it more expensive to operate in certain jurisdictions and may also increase the risk of our non-compliance with such changing laws and regulations.

Potential problems with our information systems could interfere with our business and operations.

We rely on our information systems and those of third parties for processing customer orders, distribution of our subscriptions, billing our customers, processing credit card transactions, customer relationship management, supporting financial planning and analysis, accounting functions and financial statement preparation, and otherwise running our business. Information systems may experience interruptions, including interruptions of related services from third-party providers, which may be beyond our control. Such business interruptions could cause us to fail to meet customer requirements. All information systems, both internal and external, are potentially vulnerable to damage or interruption from a variety of sources, including without limitation, computer viruses, security breaches and incidents, energy blackouts, natural disasters, terrorism, war, telecommunication failures, employee or other theft, and third-party provider failures. In addition, since telecommunications billing is inherently complex and requires highly sophisticated information systems to administer, our internally developed billing system may experience errors or we may improperly operate the system, which could result in the system incorrectly calculating the fees owed by our customers for our subscriptions or related taxes and administrative fees. Any such errors in our customer billing could harm our reputation and cause us to violate truth in billing laws and regulations. Our current internally developed billing system requires us to process an increasing number of invoices manually, which could result in billing errors. Any errors or disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business. In addition, we may implement further and enhanced information systems in the future to meet the demands resulting from our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise, and can be time-consuming and expensive, increase management responsibilities, and divert management attention.

We depend largely on the continued services of our senior management and other highly-skilled employees, and if we are unable to hire, retain, manage and motivate our employees, we may not be able to grow effectively and our business, results of operations and financial condition could be adversely affected.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue opportunities and services innovations. The loss of services of senior management or other key employees, whether in the past or in the future, could significantly delay or prevent the achievement of our business, financial, developmental and strategic objectives. In particular, we depend to a considerable degree on the vision, skills, experience, and effort of our co-founder, Chairman and Chief Executive Officer, Vladimir Shmunis, who has provided our strategic direction for over 20 years and has built and maintained what we believe is an attractive workplace culture. Any future changes resulting from the hiring or departure of executives, could disrupt our business and could impact our ability to preserve our culture, which could negatively affect our ability to recruit and retain personnel. None of our executive officers or other senior management personnel is bound by a written employment agreement and any of them may therefore terminate employment with us at any time with no advance notice. The replacement of any current or future senior management personnel could involve significant time and costs, and any such loss could significantly delay or prevent the achievement of our business objectives.

Our future success also depends on our ability to continue to attract and retain highly skilled personnel. Despite many recent layoffs in the technology industry and at the company, we believe that there is, and will continue to be, intense competition for highly skilled technical and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, in Denver, Colorado, where a significant portion of our U.S. sales and customer support office and our network operations center is located, and in other locations where we maintain offices, and in some or all of the other locations where we have employees. In addition, changes to U.S. immigration policies, particularly to H-1B and other visa programs, and restrictions on travel could restrain the flow of technical and professional talent into the U.S. and may inhibit our ability to hire qualified personnel. Similar risks exist with respect to immigration regulations in other countries where we operate, may operate in the future or have employees or contractors. We must provide competitive compensation packages and a high-quality work environment to hire, retain, and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing, and sale of existing and new subscriptions, which could have a material adverse effect on our business, financial condition, and results of operations. To the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel.

Increased customer turnover, or costs we incur to retain and upsell our customers, could materially and adversely affect our financial performance.

Although we have entered into long-term subscription contracts with larger customers, those customers with month to month contracts with us may terminate their subscriptions at any time without penalty or early termination charges. We cannot accurately predict the rate of customer terminations or average monthly subscription cancellations or failures to renew, which we refer to as turnover. Our customers with subscription agreements have no obligation to renew their subscriptions for our service after the expiration of their initial subscription period, which is typically between one and three years. years, and a substantial portion of our large contracts are up for renewal every year. In the event that these customers do renew their subscriptions, they may choose to renew for fewer users, shorter contract lengths, or for a less expensive subscription plan or edition. We cannot predict the renewal rates or types for customers that have entered into subscription contracts with us.

Customer turnover, as well as reductions in the number of users or pricing tier(s) for which a customer subscribes, each could have a significant impact on our results of operations, as does the cost we incur in our efforts to retain our customers and encourage them to renew and upgrade their subscriptions and increase their number of users. Our turnover rate could increase in the future if customers are not satisfied with our services, including third-party services and products that we integrate or sell as separate items to our customers, the value proposition of our services, the pricing of similar services of our competitors, the customer support we provide, or our ability to otherwise meet their needs and expectations. Turnover and reductions in the number of users for whom a customer subscribes may also increase due to factors beyond our control, including the failure or unwillingness of customers to pay their monthly subscription fees due to financial constraints and the impact of a slowing economy. economy and higher interest rates. In addition, the impact of the global economic conditions, including concerns about heightened inflation and an associated economic downturn, and instability in the banking and financial system, could cause financial hardship for our customers, decrease technology spending, materially and negatively impact our customers' willingness to enter into or renew subscriptions with us, cause our customers to seek a decrease in the number of users or solutions for which they subscribe, or impact our ability to collect, in a timely manner, monies due from the customer. For example, to address customer hardships, we may work with customers to provide greater flexibility to manage challenges they are facing in their own businesses, but we cannot be assured that they will not reduce their number of users or terminate their subscriptions altogether. Due to turnover and reductions in the number of users for whom a customer subscribes, we must acquire new customers, or acquire new users within our existing customer base, on an ongoing basis simply to maintain our existing level of customers and revenues. If a significant number of customers terminate, reduce, or fail to renew their subscriptions, or do not pay their subscription fees, we may be required to incur significantly higher marketing and/or sales expenditures than we currently anticipate in order to compensate for this higher turnover to increase the number of new customers or to upsell existing customers, and such additional marketing and/or sales expenditures could harm our business and results of operations.

Our future success also depends in part on our ability to execute upon our multi-product strategy to sell additional subscriptions and additional functionalities to our current customers. Any increase in the costs necessary to upgrade, expand and retain existing customers could materially and adversely affect our financial performance. If our efforts to convince customers to add users and, in the future, to purchase additional functionalities are not successful, our business may suffer. In addition, such increased costs could cause us to increase our subscription rates, which could increase our turnover rate.

If we are unable to attract new customers to our subscriptions or upsell to those customers on a cost-effective basis, our business will be materially and adversely affected.

In order to grow our business, we must continue to attract new customers, retain existing customers, and expand the number of users in, and services provided to, our existing customer base on a cost-effective basis. We use and periodically adjust the mix of advertising and marketing programs to promote our services. Significant increases in the pricing of one or more of our advertising channels would increase our advertising costs or may cause us to choose less expensive and perhaps less effective channels to promote our services. As we add to or change the mix of our advertising and marketing strategies, we may need to expand into channels with significantly higher costs than our current programs, which could materially and adversely affect our results of operations. In addition, a global slowdown of economic activity may disrupt our sales channels and our ability to attract new customers, which may require us to adjust our advertising and marketing programs or make further investments in these programs. We will incur advertising and marketing expenses in advance of when we anticipate recognizing any revenues generated by such expenses, and we may fail to otherwise experience an increase in revenues or brand awareness as a result of such expenditures. We have made in the past, and may make in the future, significant expenditures and investments in new advertising campaigns, and we cannot assure you that any such investments will lead to the cost-effective acquisition of additional customers. If we are unable to maintain effective advertising programs, our ability to attract new customers could be materially and adversely affected, our advertising and marketing expenses could increase substantially, and our results of operations may suffer.

Some of our potential customers learn about us through leading search engines, such as Google, Yahoo!, and Microsoft Bing. While we employ search engine optimization and search engine marketing strategies, our ability to maintain and increase the number of visitors directed to our website is not entirely within our control. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors' search engine optimization efforts are more successful than ours, or if search engine companies restrict or prohibit us from using their services, fewer potential customers may click through to our website. In addition, the cost of purchased listings has increased in the past and may increase in the future. A decrease in website traffic or an increase in search costs could materially and adversely affect our customer acquisition efforts and our results of operations.

A significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.

A significant portion of our revenues today come from small and medium-sized businesses. These customers may be materially and adversely affected by economic downturns to a greater extent than larger, more established businesses. These businesses typically have more limited financial resources, including capital-borrowing capacity, than larger entities. Any economic downturn could decrease technology spending and the number of employees of small and medium sized businesses in ways that adversely affect demand for our offerings, could increase churn or down-sell and harm our business and results of operations. As the majority of our customers pay for our subscriptions through credit and debit cards, weakness in certain segments of the credit markets and in the U.S. and global economies has resulted in and may in the future result in increased numbers of rejected credit and debit card payments, which could materially affect our business by increasing customer cancellations and impacting our ability to engage new small and medium-sized customers. If small and medium-sized businesses experience financial hardship as a result of a weak economy, industry consolidation or for any other reason, the overall demand for our subscriptions could be materially and adversely affected.

We face significant risks in our strategy to target medium-sized and larger businesses for sales of our subscriptions and, if we do not manage these efforts effectively, our business and results of operations could be materially and adversely affected.

As we continue to target more of our sales efforts to medium-sized and larger businesses, we expect to incur higher costs and longer sales cycles and we may be less effective at predicting if and when we will complete these sales. In these market segments, the decision to purchase our subscriptions generally requires the approval of more technical personnel and management levels within a potential customer's organization, and therefore, these types of sales require us to invest more time educating these potential customers about the benefits of our subscriptions. In addition, larger customers may demand more features, integration services, customization, more complex contract negotiations, and may require highly skilled sales and support personnel. Our investment in marketing our subscriptions to these potential customers may not be successful, which could significantly and adversely affect our results of operations and our overall ability to grow our customer base. Furthermore, many medium-sized and larger businesses that we target for sales may already purchase business communications solutions from our larger competitors or, due to economic conditions or otherwise, reduce their technology spending or reduce the number of new employees for whom they purchase our solutions or reduce the number of existing employees using our solution (i.e., down-sell). As a result of these factors, these medium and large sales opportunities may require us to devote greater research and development resources and sales support to individual customers, and invest in hiring and retaining highly skilled personnel, resulting in increased costs and could likely lengthen our typical sales cycle, which could strain our sales and support resources. Moreover, these larger transactions may require us to delay recognizing the associated revenues we derive from these customers until any technical or implementation requirements have been met.

Support for smartphones and tablets are an integral part of our solutions. If we are unable to develop robust mobile applications that operate on the mobile platforms that our customers use, our business and results of operations could be materially and adversely affected.

Our solutions allow our customers to use and manage our cloud-based business communications solution on smart devices. As new smart devices and operating systems are released, we may encounter difficulties supporting these devices and services, and we may services. We also need to devote significant resources to the creation, support, and maintenance of our mobile applications. In addition, if we experience difficulties in the future integrating our mobile applications into smart devices or if problems arise with our relationships with providers of mobile operating systems, such as those of Apple Inc. or Alphabet Inc., our future growth and our results of operations could suffer.

If we are unable to develop, license, or acquire new services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.

The cloud-based business communications industry is characterized by rapid development of and changes in customer requirements, frequent introductions of new and enhanced services, and continuing and rapid technological advancement. We cannot predict the effect of technological changes or the introduction of new, disruptive technologies on our business, and the market for cloud-based business communications may develop more slowly than we anticipate, or develop in a manner different than we expect, and our solutions could fail to achieve market acceptance. Our continued growth depends on continued use of voice, and video communications, AI and messaging by businesses, as compared to email and other data-based methods, and future demand for and adoption of Internet voice, and video communications, AI and messaging systems and services. In addition, to compete successfully, we must anticipate and adapt to technological changes and evolving industry standards, and continue to design, develop, manufacture, and sell new and enhanced services that provide increasingly higher levels of performance and reliability. Currently, we derive a majority of our revenues from subscriptions to RingEX (formerly RingCentral MVP), and we expect this will continue for the foreseeable future. However, our future success may also depend on our ability to introduce and sell new services, features, and functionality, such as RingEx, RingSense and RingCentral Events that enhance or are beyond the subscriptions we currently offer, as well as to improve usability and support and increase customer satisfaction. For example, we and our peers and competitors are investing more significantly in AI (including machine learning and large language models). There are significant risks involved in deploying AI and there can be no assurance that using AI in our platforms and products, such as our AI-powered feature, RingSense, will enhance or be beneficial to our business, including our profitability. Our failure to develop solutions that satisfy customer preferences in a timely and cost-effective manner may harm our ability to compete effectively, renew our subscriptions with existing customers, increase our subscription revenues from our existing customers, and create or increase demand for our subscriptions and may materially and adversely impact our results of operations.

The introduction of new services by competitors, including those that incorporate AI and machine learning, or the development of entirely new technologies to replace existing offerings could make our solutions outdated, obsolete or adversely affect our business and results of operations. Announcements of future releases and new services and technologies by our competitors or us could cause customers to defer purchases of our existing subscriptions, which also could have a material adverse effect on our business, financial condition or results of operations. We may experience difficulties with software development, operations, design, or marketing that could delay or prevent our development, introduction, or implementation of new or enhanced services and applications. We have in the past experienced delays in the planned release dates of new features and upgrades and have discovered defects in new services and applications after their introduction. We cannot assure you that new features or upgrades will be released according to schedule, or that, when released, they will not contain defects or bugs. Either of these situations could result in adverse publicity, loss of revenues, delay in market acceptance, or claims by customers brought against us, all of which could harm our reputation, business, results of operations, and financial condition. Moreover,

the development of new or enhanced services or applications may will require substantial investment, and we must continue to invest a significant amount of resources in our research and development efforts to develop these services and applications to remain competitive. We do not know whether these investments will be successful. If customers do not widely adopt any new or enhanced services and applications, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new or enhanced services and applications on a timely and cost-effective basis, or if such new or enhanced services and applications do not achieve market acceptance, our business, financial condition, and results of operations may be materially and adversely affected.

The AI technology and features incorporated into our solutions include new and evolving technologies that may present both legal and business risks.

We have incorporated a number of AI-powered features, including RingSense, into our solutions and are making investments in expanding our AI capabilities. AI technologies are complex and rapidly evolving, and we face significant competition from other companies as well as an evolving legal and regulatory landscape. The successful integration of new and emerging AI technologies, such as generative AI, automated speech recognition (ASR), text-to-speech (TTS) and natural language processing (NLP) into our platforms and solutions will require additional investment, and the development of new approaches and processes, which will be costly and increase our expenses.

Further, the incorporation of AI-powered features into our solutions will subject us to new or enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks, ethical concerns, or other complications that could harm our business, reputation, financial condition or results of operations. Intellectual property ownership and license rights, including copyright, surrounding AI technologies are new, evolving, and have not been fully addressed by federal or state laws or by U.S. courts, and the manner in which we configure and use AI technologies may expose us to claims of copyright infringement or other intellectual property misappropriation. It is possible that new laws and regulations will be adopted in the United States and in other countries, or that existing laws and regulations, such as the European Union's recently adopted AI Act (the "EU AI Act"), will be interpreted in ways that would affect the operation of our solution and the way in which we use AI. In addition, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could harm our business, reputation, financial condition and results of operations.

Relatedly, large language models, or LLMs, can generate written content which that contains bias, factual errors, misrepresentations, offensive language, or inappropriate statements. While we attempt to use LLMs in a way that mitigates these risks, there is no guarantee that we will be successful and these risks could harm our business, reputation, financial condition and results of operations.

In addition, the use of AI involves significant technical complexity and requires specialized expertise, and competition for specialized personnel in the AI industry is intense. Any disruption or failure in our AI systems or infrastructure could result in delays or errors in our operations, which could harm our business, reputation, financial condition and results of operations.

The use of AI by our workforce may present risks to our business.

Our workforce is exposed to and uses AI technologies for certain tasks related to our business. We have guidelines and policies specifically directed at the use of AI tools in the workplace. Nevertheless, the use of these AI tools, whether authorized or unauthorized, by our workforce, poses potential risks relating to the protection of data, including cybersecurity risk, exposure of our proprietary confidential information to unauthorized recipients, and the misuse of our or third-party intellectual property. Use of AI technology by our workforce, even when used consistent with our guidelines, may result in allegations or claims against us related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information, and failure to comply with open source software requirements. In addition, our employees use AI tools for various design and engineering tasks such as writing code and building content, and these AI technology tools may produce inaccurate responses that could lead to errors in our decision-making, solution development or other business activities, which could have a negative impact on our business, operating results and financial condition. Our ability to mitigate these risks will depend on our continued effective training, monitoring and enforcement of appropriate policies, guidelines and procedures governing the use of AI technology, and compliance by our workforce.

If we fail to continue to develop our brand or our reputation is harmed, our business may suffer.

We believe that continuing to strengthen our current brand will be critical to achieving widespread acceptance of our subscriptions and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have has been increasing and may continue to increase. Accordingly, we may need to increase our investment in, and devote greater resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among users. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brand. In addition, if we do not handle customer complaints effectively, our brand and reputation may suffer, we may lose our customers' confidence, and they may choose to terminate, reduce or not to renew their subscriptions. Many of our customers also participate in social media and online blogs about Internet-based software solutions, including our subscriptions, and our success depends in part on our ability to minimize negative and generate positive customer feedback through such online channels where existing and potential customers seek and share information. If we fail to sufficiently invest in, promote and maintain our brand, our business could be materially and adversely affected.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base, new sales, and revenues to decline significantly.

Most of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If customers pay for our subscriptions with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which are referred to in the industry as chargebacks, from the credit card companies from claims that a customer did not authorize the specific credit card transaction to purchase our subscription. If the number of chargebacks becomes excessive, we could be assessed substantial fines or be charged higher transaction fees, and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant and/or service provider standards, including data protection standards, required to utilize their services from time to time. We have established and implemented measures intended to comply with the Payment Card Industry Data Security Standard ("PCI DSS"). If we fail to maintain compliance with such standards or fail to meet new standards, the credit card associations could fine us or terminate their agreements with us, and we would be unable to accept credit cards as payment for our subscriptions. If we fail to maintain compliance with current service provider standards, such as PCI DSS, or fail to meet new standards, customers may choose not to use our services for certain types of communication they have with their customers. services. If such a failure to comply with relevant standards occurs, we may also face legal liability if we are found to not comply with applicable laws that incorporate, by reference or by adoption of substantially similar provisions, merchant or service provider standards, including PCI DSS. Our subscriptions may also be subject to fraudulent usage, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams, and other fraudulent schemes. This usage can result in, among other things, substantial bills from our vendors, for which we would be responsible, for terminating fraudulent call traffic. In addition, third parties may have attempted in the past, and may attempt in the future, to induce employees, sub-contractors, or consultants into disclosing customer credentials and other account information using social engineering and other methods, which can result in unauthorized access to customer accounts and customer data, unauthorized use of customers' services, charges to customers for fraudulent usage and costs that we must pay to global service providers. Although we implement multiple fraud prevention, and detection controls and personal training(s), we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments could cause our paid customer base to significantly decrease, which would have a material adverse effect on our results of operations, financial condition, and ability to grow our business.

The expansion of our international operations may expose us to significant risks.

We have significant operations directly or through third parties in many countries including outside of the U.S., and Canada, including, the U.K., China, the Philippines, Germany, Georgia, Bulgaria, Spain, Australia, India, and France. We also sell our solutions to customers in several countries in Europe, as well as in the Asia Pacific region, including Australia, India, Singapore and China Singapore and we may continue to grow our international presence in the future. The future success of our business will depend, in part, on our ability to expand our operations and customer base worldwide. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from those in the U.S. Due to our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. In addition, we will face risks in doing business internationally that could materially and adversely affect our business, including:

- our ability to comply with differing and evolving technical and environmental standards, telecommunications regulations, and certification requirements outside the U.S.;
- difficulties and costs associated with staffing and managing foreign operations;
- our ability to effectively price our subscriptions in competitive international markets;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our subscriptions and product offerings for specific countries; countries and local regulators;
- the need to offer customer care, product information, websites, and other marketing collateral in various native languages;
- the need to contract and bill in various native languages, currencies, and under a variety of different legal systems;
- reliance on third parties over which we have limited control, including those that market and resell our subscriptions; subscriptions in international markets;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- lower levels of adoption of credit or debit card usage for Internet related purchases by foreign customers and compliance with various foreign regulations related to credit or debit card processing and data protection requirements;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions, including with respect to foreign labor laws and regulations, which may adversely affect our ability to manage our headcount and the cost of our foreign work force;
- restrictions on travel to or from countries in which we operate or inability to access certain areas;
- export controls and economic sanctions; changes in diplomatic and trade relationships, including tariffs and other non-tariff barriers, such as quotas and local content rules;
- U.S. government and applicable foreign trade restrictions, including those which may impose restrictions, including prohibitions, on the exportation, re-exportation, sale, shipment or other transfer of programming, technology, components, and/or services to foreign persons;
- our ability to comply with different and evolving laws, rules, and regulations, including the European General Data Protection Regulation (the “GDPR”), and other data privacy and data protection laws, rules and regulations;
- compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and U.K. Bribery Act of 2010;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. dollars;
- restrictions on the transfer of funds;
- new and different sources of competition;
- natural disasters or global health crises, such as the COVID-19 pandemic;
- political and economic instability created by the war between Russia and Ukraine and the war between Israel and Hamas and any potential worsening or expansion of these wars;
- deterioration of political relations between the U.S. and other countries in which where we operate, have personnel who support our business, particularly China, India, Bulgaria, Spain, and the Philippines; and
- political or social unrest, economic instability, conflict or war in such countries, or sanctions implemented by the U.S. against these countries, such as the ongoing geopolitical tensions related to the war between Russia and Ukraine, and resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions, as well as the war between Israel and Hamas, all of which could have a material adverse effect on our operations.

Our failure to manage any of these risks successfully could harm our future international operations and our overall business.

We may expand through acquisitions of, investments in, or strategic partnerships GSPs or other strategic transactions with, other companies, each of which may divert our management’s attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations, and harm our results of operations.

Our business strategy may, from time to time, include acquiring or investing in new or complementary services, technologies or businesses, strategic investments and partnerships, or other strategic transactions, such as our investment in and partnerships with our strategic partners and global service providers such as Avaya, Atos, Amazon, Mitel (Unify), AT&T, BT, Vodafone, DT, Optus, and Charter Communications, and Brightspeed. Communications. We cannot assure you that we will successfully identify suitable acquisition candidates or transaction counterparties, securely or effectively integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Any such acquisition, investment, strategic partnership, or other strategic transaction could materially and adversely affect our results of operations. The process of negotiating, effecting, and realizing the benefits from acquisitions, investments, strategic partnerships, and strategic transactions is complex, expensive and time-consuming, and may cause an interruption of, or loss of momentum in, development and sales activities and operations of both companies, and we may incur substantial cost and expense, as well as divert the attention of management. We may issue equity securities which could dilute current stockholders' ownership, incur debt, assume contingent or other liabilities and expend cash in acquisitions, investments, strategic partnerships, and other strategic transactions which could negatively impact our financial position, stockholder equity, and stock price.

Acquisitions, investments, strategic partnerships, and other strategic transactions involve significant risks and uncertainties, including:

- the potential failure to achieve the expected benefits of the acquisition, investment, strategic partnership, or other strategic transaction, including recoupment or write-down of our investments in the partnership;
- unanticipated costs and liabilities;
- the potential of disputes with our partners and resellers, including arbitration or litigation resulting from a breach or alleged breach of either party's contractual obligation, which may result in cost, distraction and potential liabilities and reputational damage;
- difficulties in integrating new solutions and subscriptions, software, businesses, operations, and technology infrastructure in an efficient and effective manner;
- difficulties in maintaining customer relations; and effectively servicing the customers acquired in the transaction;
- the potential loss of key employees of any acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position to the extent that we use cash for some or all of the transaction consideration;
- the potential significant increase of our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition, investment, strategic partnership, or other strategic transaction;
- the potential issuance of securities that would dilute our stockholders' percentage ownership;
- the potential to incur large and immediate write-offs and restructuring and other related expenses;
- the potential liability or expenses associated with new types of data stored, existing security obligations or liabilities, unknown weaknesses in our solutions, insufficient security measures in place, and compromise of our networks via access to our systems from assets not previously under our control;
- the inability to maintain uniform standards, controls, policies, and procedures;
- the inability to implement new channel models and go-to-market motions; and
- the inability to set up the necessary processes and systems to efficiently operate the partnerships. our partnerships and GSP relationships.

Any acquisition, investment, strategic partnership, or other strategic transaction could expose us to unknown liabilities. Moreover, we cannot assure you that we will realize the anticipated benefits of any acquisition, investment, strategic partnership, or other strategic transaction. In addition, our inability to successfully operate and integrate newly acquired businesses or newly formed strategic partnerships appropriately, effectively, and in a timely manner could impair our ability to take advantage of future growth opportunities and other advances in technology, as well as our revenues and gross margins.

In addition, our ability to offer, sell or transfer certain investments may be limited by applicable securities laws and regulations, and our ability to liquidate and realize value from such investments may be negatively and materially impacted by any delays or limitations on our ability to offer, sell, or transfer certain investments. In addition, certain investments are speculative in nature and may be volatile or decline in value or be entirely lost, which could have a negative impact on our future financial position, results of operations, and cash flows.

We may be subject to liabilities on past sales for taxes, surcharges, and fees and our operating results may be harmed if we are required to collect such amounts in jurisdictions where we have not historically done so.

We believe we collect state and local sales tax and use, excise, utility user, and ad valorem taxes, fees, or surcharges in all relevant jurisdictions in which we generate sales, based on our understanding of the applicable laws in those jurisdictions.

Such tax, fees and surcharge laws and rates vary greatly by jurisdiction, and the application of such taxes to e-commerce businesses, such as ours, is a complex and evolving area. continuing to develop. There is uncertainty as to what constitutes sufficient "in state presence" for a state to levy taxes, fees, and surcharges for sales made over the Internet, and after the U.S. Supreme Court's ruling in *South Dakota v. Wayfair*, U.S. states may require an online retailer with no in-state property or personnel to collect and remit sales tax on sales to the state's residents, which may permit wider enforcement of sales tax collection requirements. Therefore, the application of existing or future laws relating to indirect taxes to our business, or the audit of our business and operations with respect to such taxes or challenges of our positions by taxing authorities, all could result in increased tax liabilities for us or our customers that could materially and adversely affect our results of operations and our relationships with our customers. Further, we have in the past and may in the future be audited by federal, state, and local tax authorities which could lead to liabilities for past unpaid taxes, fines, and penalties.

We may be unable to use some or all of our net operating loss and research credit carryforwards, which could materially and adversely affect our reported financial condition and results of operations.

As of December 31, 2023, we had federal net operating loss carryforwards ("NOLs") of $1.8 billion, of which $66.1 million are set to expire in 2037, while the remaining portion does not expire. Additionally, we have state net operating loss carryforwards of $1.3 billion that began to expire in 2024. We also have federal research tax credit carryforwards that will begin to expire in 2028. Realization of these net operating loss and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our reported financial condition and results of operations.

In addition to the potential carryforward limitations described above, under Sections 382 and 383 of the Internal Revenue Code of 1986 (the "Code"), as amended, our ability to utilize NOLs or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." An "ownership change" generally occurs if one or more stockholders or groups of stockholders, who each own at least 5% of our stock, increase their collective ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. In addition, California has proposed a temporary suspension on the use of state net operating loss carryforwards for certain businesses, which may adversely affect our company if it earns taxable income in the impacted tax years. Similar rules may apply under state tax laws.

No material deferred tax assets have been recognized on our Consolidated Balance Sheets related to these NOLs, as they are fully offset by a valuation allowance. If we have previously had, or have in the future, one or more Section 382 "ownership changes," including in connection with our initial public offering or another offering, or if we do not generate sufficient taxable income, we may not be able to utilize a material portion of our NOLs, even if we achieve profitability. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. This could materially and adversely affect our reported financial condition and results of operations.

If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.

We support local number and toll-free number portability, which allows our customers to transfer to us and thereby retain their existing phone numbers when subscribing to our services. Transferring numbers is a manual process that can take up to 15 business days or longer to complete. A new customer of our subscriptions must maintain both our subscription and the customer's existing phone service during the number transferring process. Any delay that we experience in transferring these numbers typically results from the fact that we depend on third-party global service providers to transfer these numbers, a process that we do not control, and these third-party global service providers may refuse or substantially delay the transfer of these numbers to us. Local number portability is considered an important feature by many potential customers, and if we fail to reduce any related delays, we may experience increased difficulty in acquiring new customers. Moreover, the Federal Communications Commission (the "FCC") FCC requires Internet voice communications providers to comply with specified number porting timeframes when customers leave our subscription for the services of another provider. Several international jurisdictions have imposed similar number portability requirements on subscription providers like us. If we or our third-party global service providers are unable to process number portability requests within the requisite timeframes, we could be subject to fines and penalties. Additionally, in the U.S., both customers and global service providers may seek relief from the relevant state public utility commission, the FCC, or in state or federal court for violation of local number portability requirements.

Our business could suffer if we cannot obtain or retain direct inward dialing numbers or are prohibited from obtaining local or toll-free numbers or if we are limited to distributing local or toll-free numbers to only certain customers.

Our future success depends on our ability to procure large quantities of local and toll-free direct inward dialing numbers ("DIDs") in the U.S. and foreign countries in desirable locations at a reasonable cost and without restrictions. Our ability to procure and distribute DIDs depends on factors outside of our control, such as applicable regulations, the practices of the communications global service providers that provide DIDs, the cost of these DIDs, and the level of demand for new DIDs. For instance, in France, ,France implemented new rules requiring service providers to obtain DIDs directly from regulatory authorities have been implemented and the regulating authority has not yet addressed the rules' impact on existing DIDs that were assigned and sub-allocated before such new rules went into effect. . Further, due to their limited availability, there are certain popular area code prefixes that we generally cannot obtain. Our inability to acquire DIDs for our operations would make our subscriptions less attractive to potential customers in the affected local geographic areas. In addition, future growth in our customer base, together with growth in the customer bases of other providers of cloud-based business communications, has increased, which increases our dependence on needing sufficiently large quantities of DIDs.

We may not be able to manage our inventory levels effectively, which may lead to inventory obsolescence that would force us to incur inventory write-downs.

Our vendor-supplied phones have lead times of up to several months for delivery to our fulfillment agents and are built to forecasts that are may be imprecise. It is likely that, from time to time, we will have either excess or insufficient product inventory. In addition, because we rely on third-party vendors for the supply of our vendor-supplied phones, our inventory levels are subject to the conditions regarding the timing of purchase orders and delivery dates that are not within our control. Excess inventory levels would subject us to the risk of inventory obsolescence, while insufficient levels of inventory may negatively affect relations with customers. For instance, our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of our services could result in loss of customers or harm to our ability to attract new customers. Any reduction or interruption in the ability of our vendors to supply our customers with vendor-supplied phones could cause us to lose revenue, damage our customer relationships and harm our reputation in the marketplace. Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

We currently depend on a limited number of phone device suppliers and fulfillment agents to configure and deliver the phones that we sell and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may harm our business.

We rely on a limited number of suppliers to provide phones that we offer for sale to our customers that use our services, and we rely on a limited number of fulfillment agents to configure and deliver the phones that we sell to our customers. Accordingly, we could be adversely affected if such third parties fail to maintain competitive phones or configuration services or fail to continue to make them available on attractive terms, or at all.

If our fulfillment agents are unable to deliver phones of acceptable quality, or if there is a reduction or interruption in their ability to deliver the phones in a timely manner including due to the end of life of any particular unit, our ability to bring services to market, the reliability of our services and our relationships with customers or our overall reputation in the marketplace could suffer, which could cause us to lose revenue. We expect that it could take several months to effectively transition to new third-party manufacturers or fulfillment agents.

If our vendor-supplied phones are not able to interoperate effectively with our own back-end servers and systems, our customers may not be able to use our subscriptions, which could harm our business, financial condition and results of operations.

Hard phones must interoperate with our back-end servers and systems, which contain complex specifications and utilize multiple protocol standards and software applications. Currently, the phones used by our customers are manufactured by a limited number of third-party providers. If any of these providers changes the operation of their phones or implements new or updated firmware releases for their phones, we will be required to undertake development and testing efforts to ensure that the new phones interoperate with our system. In addition, we must be successful in integrating our solutions with strategic partners' devices, such as Avaya, in order to market and sell these solutions. These efforts may require significant capital and employee resources, and we may not accomplish these development efforts quickly or cost-effectively, if at all. If our vendor-supplied phones do not interoperate effectively with our system, our customers' ability to use our subscriptions could be delayed or orders for our subscriptions could be canceled, which would harm our business, financial condition, and results of operations.

Any future global health crisis or pandemics could harm our business, financial condition and results of operations.

The COVID-19 pandemic impacted worldwide economic activity and financial markets, and forced us to take measures such as temporarily closing our offices and restricting travel. Any resurgence of COVID-19 or any other future pandemic could again result in temporarily suspending travel and restricting the ability to do business in person, which could negatively affect our customer success efforts, sales, and marketing efforts, challenge our ability to enter into customer and other commercial contracts in a timely manner and our ability to source, assess, negotiate, and successfully implement and execute on, and realize the benefits of, acquisitions, investments, strategic partnerships and other strategic transactions, slow down our recruiting efforts, or create operational or other challenges, any of which could harm our business, financial condition and results of operations. In addition, COVID-19 or any future pandemic could disrupt the operations of our customers, channel partners, strategic partners, global service providers, suppliers and other third-party providers, and could generally adversely affect economies and financial markets globally in the future, both of which could decrease technology spending and adversely affect demand for our solutions and harm our business.

Risks Related to Regulatory Matters

Our subscriptions are subject to regulation, and future legislative or regulatory actions could adversely affect our business and expose us to liability in the U.S. and internationally.

Federal Regulation

Our business is regulated by the FCC. As a communications services provider, we are subject to existing or potential FCC regulations relating to privacy, data security, disability access, access to and porting of numbers and enabling abbreviated dialing to designated numbers, maintaining records for disconnected numbers, cooperation with law enforcement, Federal Universal Service Fund ("USF") contributions, Enhanced 911 ("E-911"), outage reporting, call authentication, call spoofing, call blocking and other requirements and regulations. The FCC is increasing enforcement of call authentication and related Know-Your-Customer obligations and continues to adopt and consider additional rules related to robocalling and robotexting. FCC classification of our Internet voice communications services as telecommunications services could result in additional federal and state regulatory obligations. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses or authorizations, repayment of funds, and possibly restrictions on our ability to operate or offer certain of our subscriptions. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, possibly impair our ability to sell our subscriptions to customers and could have a materially adverse impact on our revenues.

Through RCLEC, we also provide competitive local exchange carrier ("CLEC") and IP-enabled ("IPES") services, which are regulated by the FCC as traditional telecommunications services. Our CLEC services depend on certain provisions of the Telecommunications Act of 1996 that require incumbent local exchange carriers ("ILECs") to provide us facilities and services that are necessary to provide our services. Over the past several years, the FCC has reduced or eliminated a number of regulations governing ILECs' wholesale offerings. If ILECs were no longer required by law to provide such services to us, or ceased to provide these services at reasonable rates, terms and conditions, our business could be adversely affected and our cost of providing CLEC services could increase. This could have a materially adverse impact on our results of operations and cash flows.

In revenues.In addition, the federal Telephone Consumer Protection Act ("TCPA") and FCC rules implementing the TCPA prohibit sending unsolicited facsimile advertisements or making illegal robocalls, subject to certain exceptions. The FCC may take enforcement action against persons or entities that send "junk faxes," or make illegal robocalls and individuals also may have a private cause of action. Although the FCC's rules prohibiting unsolicited fax advertisements or making illegal robocalls apply to those who "send" the advertisements or make the calls, fax transmitters or other service providers that have a high degree of involvement in, or actual notice of, unlawful sending of junk faxes or making of illegal robocalls and have failed to take steps to prevent such transmissions may also face liability under the FCC's rules, or in the case of illegal robocalls, Federal Trade Commission ("FTC") rules. We take significant steps designed have implemented processes to prevent our systems from being used to make illegal robocalls or send unsolicited faxes on a large scale, and we do not believe that we have a high degree of involvement in, or notice of the use of our systems to broadcast junk faxes or make illegal robocalls. robocalls on a large scale. However, because fax transmitters and related service providers do not enjoy an absolute exemption from liability under the TCPA and related FCC rules, we could face FCC or FTC inquiry and enforcement or civil litigation, or private causes of action, if someone uses our system for such purposes. If any of these were to occur, we could be required to incur significant costs and management's attention could be diverted. Further, if we were to be held liable for the use of our service to send unsolicited faxes or make illegal robocalls or to settle any action or proceeding, any judgment, settlement, or penalties could cause a material adverse effect on our operations.

State Regulation

States currently do not regulate our Internet voice communications subscriptions, which are considered to be nomadic because they can be used from any broadband connection. However, a number of states require us to register as a Voice over Internet Protocol ("VoIP") provider, contribute to state USF, contribute to E-911, and pay other surcharges and annual fees that fund various utility commission programs, while others are actively considering extending their public policy programs to include the subscriptions we provide. We pass USF, E-911 fees, and other surcharges through to our customers, which may result in our subscriptions becoming more expensive or require that we absorb these costs. State public utility commissions may attempt to apply state telecommunications regulations to Internet voice communications subscriptions like ours.

RCLEC services are subject to regulation by the public utility regulatory agency in those states where we provide local telecommunications services. This regulation includes the requirement to obtain a certificate of public convenience and necessity or other similar licenses prior to offering our CLEC services, as well as registrations related to IPES services. We may also be required to file tariffs that describe our CLEC services and provide rates for those services. We are also required to comply with regulations that vary by state concerning service quality, disconnection and billing requirements. State commissions also have authority to review and approve interconnection agreements between incumbent phone carriers and CLECs such as our subsidiary.

Both we and RCLEC are also subject to state consumer protection laws, including privacy and data security requirements, as well as U.S. state or municipal sales, use, excise, gross receipts, utility user and ad valorem taxes, fees, or surcharges. Various federal and state wiretapping laws, including California's CIPA, require at least one party to consent to the capture of the contents of communications. Some states, including California, require the consent of all parties to a conversation. California's CIPA has been a subject of increasing litigation, particularly in the form of class actions. While our policy is to inform and remind customers of their legal obligations under applicable wiretapping laws when using our services, we may rely on customers to capture necessary consents and to ensure their account settings are configured correctly for their compliance under applicable law. Should customers using our services engage in unauthorized recording of calls, we may face third-party claims or class actions, arguing that we contributed to, benefited from, or facilitated our customers' alleged violations. We are currently involved in litigation involving the CIPA matter as discussed under Note 10 - *Commitments and Contingencies* in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Successful claims under CIPA allow for the recovery of statutory damages on a per-violation basis, which could result in massive statutory damages. Any of these events could have a material adverse effect on our reputation, business, or financial condition.

International Regulation

As we expand internationally, we may be subject to telecommunications, consumer protection, data protection, emergency call services, and other laws, regulations, taxes, and fees in the foreign countries where we offer our subscriptions. Any foreign regulations could impose substantial compliance costs on us, restrict our ability to compete, and impact our ability to expand our service offerings in certain markets. Moreover, the regulatory environment is constantly evolving and changes to the applicable regulations could impose additional compliance costs and require modifications to our technology and operations and go to market practices. European Union member states are currently implementing the new European Electronic Communications Code, including major modifications to the telecommunication laws and regulations in Germany, United Kingdom, and France. Updated regulations in Europe and in the United Kingdom require providers to perform assessments and to improve on the security and resilience of their networks (i.e., the UK Telecommunication Security Act and the EU NIS-2 Directive) as well as on to verify the accuracy of their metering and billing systems. New guidelines systems (UK Total Metering and Billing System audit and Germany art. 63 TKG Metering Audit). Regulators in many of our markets, including the United Kingdom, and other European countries require providers to implement Know-Your-Customer vetting which may complicate and elongate the sales process. Local telecom regulatory restrictions in France limit our ability to sell numbers and other services in a wholesale motion to channel partners; other European countries have passed or are considering similar regulations. The recent EU Digital Service Act requires cloud and digital providers to adopt measures to prevent disinformation, increase transparency and improve protection for users of digital services in the EU. Internationally, we currently sell our subscriptions in Canada, the U.K., Australia, Singapore, Taiwan, India, and several European countries. We also offer our Global RingEX solution, enabling our multinational customers in locations where we sell our solutions, to establish local phone solutions in various countries internationally. We may be subject to telecommunications, consumer protection, data protection, emergency call services, call authentication, and other laws and regulations in additional countries as we continue to expand our Global RingEX solution internationally. Further, for resellers in certain markets, we may be unable to effectively oversee and quality check certain reseller compliance processes, including those relating to customer verification and fraud mitigation. Any resultant improper or non-compliant use of our service offerings by customers of resellers could result in regulatory or contractual fines, penalties or damages, and could also adversely impact our ability to continue to provide services in impacted markets.

In addition, our international operations are potentially subject to country-specific governmental regulation and related actions that may increase our costs or impact our solution and service offerings or prevent us from offering or providing our solutions and subscriptions in certain countries. Certain of our subscriptions may be used by customers located in countries where VoIP and other forms of IP communications may be illegal or require special licensing or in countries on a U.S. embargo list. Even where our solutions are reportedly illegal or become illegal or where users are located in an embargoed country, users in those countries may be able to continue to use our solutions and subscriptions in those countries notwithstanding the illegality or embargo. We may be subject to penalties or governmental action if customers continue to use our solutions and subscriptions in countries where it is illegal to do so, and any such penalties or governmental action may be costly and may harm our business and damage our brand and reputation. We may be required to incur additional expenses to meet applicable international regulatory requirements or be required to discontinue those subscriptions if required by law or if we cannot or will not meet those requirements.

The increasing growth and popularity of Internet voice communications, video conferencing and messaging heighten the risk that governments will regulate or impose new or increased fees or taxes on these services. To the extent that the use of our subscriptions continues to grow, and our user base continues to expand, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our subscriptions.

We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving international statutes, governmental regulation, industry standards and self-regulatory schemes, contractual obligations, and other legal obligations related to privacy and data protection, which may increase our costs, decrease adoption and use of our solutions and subscriptions, and expose us to liability.

In the course of providing our services, we collect, store, and process many types of data, including personal data. Moreover, our customers can use our subscriptions to store contact and other personal or identifying information, and to process, transmit, receive, store, and retrieve a variety of communications and messages, including information about their own customers and other contacts. Customers are able, and may be authorized under certain circumstances, to use our subscriptions to transmit, receive, and/or store personal information, which may include, among others, personally identifiable health, financial, and other sensitive information.

RingCentral's collection, storage, retention, use, processing, transmission, sharing, disclosure, and safeguarding of personal data (collectively, “processing”) is subject to a myriad of obligations and restrictions flowing from law, regulation, industry standards, and contract. In addition to U.S. federal, state, and local law and regulation, RingCentral is subject to numerous foreign laws and regulations governing these matters where we do business throughout the world. The scope and status of these obligations and restrictions is uncertain, changing, subject to differing interpretations, and may be inconsistent among jurisdictions or conflict with other rules. Failure to comply with obligations and restrictions related to data privacy, data protection, and security in any jurisdiction in which we operate could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity, and other losses that could harm our business.

For example, the GDPR, which came into force in May 2018, strengthened existing data protection regulations in the EU. Its provisions include increasing the maximum level of fines that EU regulators may impose for the most serious of breaches to the greater of €20 million or 4% of worldwide annual turnover. National data protection supervisory authorities have been actively monitoring and sanctioning noncompliance with applicable regulations with particular focus on use of cookies without consent, behavioral profiling, protection of data relating to children, and breach of security. The authority to impose such fines is in addition to (i) the rights of individuals to sue for damages in respect of any data privacy breach that causes them to suffer harm and (ii) the right of individual member states to impose additional sanctions over and above the administrative fines specified in the GDPR. Other European countries have adopted omnibus privacy laws that are based on or similar to the GDPR or are updating their existing privacy laws to reflect GDPR standards, including Switzerland, the United Kingdom, and members of the European Economic Area (the “EEA”).

Among other requirements, these laws regulate data transferred to countries that have not been found to provide adequate protection to such personal data. On July 10, 2023, the EU Commission adopted the EU-U.S. Data Privacy Framework (“DPF”) to facilitate data flows between the U.S. and the EU. The U.S. and Switzerland have also agreed on a similar DPF. We have self-certified compliance with the EU-U.S. DPF, and the Swiss-U.S. DPF for non-HR data. The U.K. also approved an addendum to the EU DPF to support personal data transfers from the U.K. to the U.S. in September of 2023, and we have self-certified compliance with that framework. The impact of the DPF on data transfers from Europe remains to be seen, and as such uncertainty regarding some details for cross-border data transfers remains. Legal challenges to the adequacy of the DPF have commenced, and there is uncertainty with respect to the speed and the outcome of the legal challenges.

In addition to the DPF, we continue to rely on the EU Commission's Standard Contractual Clauses (“SCCs”), updated in 2021, for the transfer of personal data from the EU to countries not deemed by the EU Commission as providing adequate protection of personal data (e.g., the U.S.). We adopted the 2021 SCCs with our customers and our suppliers transferring data out of the EEA and Switzerland (with approved modifications by the Swiss Federal Data Protection and Information Commissioner). On March 21, 2022, the U.K. Parliament approved the use of an International Data Transfer Agreement or a U.K.-specific addendum to the EU SCCs (collectively, the “U.K. SCCs”) to support personal data transfers out of the U.K., which we adopted as a supplemental means to support data transfers from customers and suppliers in the U.K. to other jurisdictions, including the U.S. and the EU. Despite this, it may be difficult to maintain appropriate safeguards for the transfer of such data from the EEA, Switzerland, and U.K. (collectively, “Europe”), as a result of continued legal and legislative activity that has challenged or called into question existing means of data transfers to countries that have not been found to provide adequate protection for personal data.

Following the U.K.'s exit from the EU, the U.K. largely adopted the EU rules on cross-border data flows, but allowed flexibility to diverge. On June 28, 2021, the European Commission issued an adequacy decision under the GDPR and the Law Enforcement Directive, pursuant to which personal data generally may be transferred from the EU to the U.K. without restriction; however, this adequacy decision is subject to a four-year “sunset” period, after which the European Commission's adequacy decision may be renewed. If the adequacy decision is not renewed, RingCentral's (and other U.S. companies') ability to transfer personal data from the EU to the U.K. for operational purposes could potentially be affected. RingCentral's implementation of the U.K. SCCs may mitigate but does not eliminate the risk associated with non-renewal of the European Commission's adequacy decision.

The current SCCs (EU, Swiss, and U.K.) include requirements to conduct personal data transfer impact assessments before transferring personal data out of the EEA, Switzerland, and the U.K. The assessment requires the parties to consider the specific circumstances of the transfer, the laws, and practices of the destination country, particularly relating to government access, and any additional relevant contractual, technical, or organizational safeguards. Each party is required to perform such an assessment and determine whether the transfer can proceed or must be suspended if there are insufficient safeguards to protect the transfer of personal data.

We may, in addition to other impacts, experience additional costs associated with increased compliance burdens following the implementation of the 2021 SCCs and U.K. SCCs, including requirements to conduct the personal data transfer impact assessments described above, block, or require ad hoc verification of measures taken with respect to certain data flows from the EEA, Switzerland and the U.K. to the U.S and other non-EEA countries. Additionally, we and our customers face the potential for regulators in the EEA, Switzerland, or the U.K. to apply different standards to the transfer of personal data from the EEA, Switzerland, or the U.K. to the U.S. and other countries. Moreover, as regulatory requirements continue to change, RingCentral (and other U.S. companies) may be required to negotiate new contractual data protection obligations with new and existing vendors or third parties that aid in processing personal data on our behalf.

Outside of Europe, many other countries, including most countries where RingCentral either provides services or has employees, or both, have adopted or are considering adoption of data protection legislation based on the GDPR or its predecessor, the EU Data Protection Directive, including India, Australia, Brazil, Canada, China, Israel, Japan, New Zealand, Singapore, South Africa, and South Korea. Several of these countries, including Australia and Canada, are actively considering legislative proposals to enhance existing privacy regulation. Quebec's Privacy Act, much of which came into effect in September 2023, imposes stringent new requirements for securing consent for personal data processing including via cookies, internal data governance, data transfers, use of personal data for marketing, and disclosure of automated processing. As implementation and enforcement of these existing and new laws and regulations progress, we could experience additional costs associated with increased compliance burdens and contractual obligations, be required to localize certain personal data, and/or be at risk for increased regulatory fines or damages.

In particular, the Data Security Law of China ("DSL"), which took effect on September 1, 2021, and the Personal Information Protection Law of China ("PIPL"), which took effect on November 1, 2021, implement comprehensive regulation of data and personal data processing activities across all industries. The DSL and PIPL apply not only to the processing of data within China, but also cross-border data transfers as well as certain activities outside of China that relate to data originating from China. Restrictions imposed by the DSL and PIPL, including strict data localization requirements applicable to certain types of personal data, and uncertainty regarding their application in practice may impact us, and we may be required to implement modifications to our policies and practices in an effort to comply with these laws.

In the U.S., there are numerous federal and state laws governing the privacy and security of personal information. In particular, at the federal level, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") establishes privacy and security standards that limit the use and disclosure of individually identifiable health information and requires the implementation of administrative, physical, and technical safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity, and availability of electronic protected health information by certain institutions. We act as a "Business Associate" through our relationships with certain customers and are thus directly subject to certain provisions of HIPAA. In addition, if we are unable to protect the privacy and security of protected health information, we could be found to have breached our contracts with customers with whom we have a Business Associate relationship and may also face regulatory liability. Recently, a number of states, including Washington, Connecticut, and Nevada, have adopted laws regulating the processing of consumer health data not regulated by HIPAA. We expect that these laws will cause us to incur additional costs related to compliance, in particular in handling consumer requests for access, deletion, and to exercise other rights. The Gramm-Leach-Bliley Act ("GLBA") imposes obligations with respect to personal data that we process on behalf of financial institutions. The FTC, which enforces the GLBA in the context of non-bank financial institutions, adopted new breach notification rules in October 2023. Additionally, we are subject to FCC regulations imposing obligations related to our use and disclosure of certain data related to our interconnected VoIP service. The FCC recently announced the creation of a Privacy and Data Protection Task Force that will coordinate agency efforts "on the rulemaking, enforcement, and public awareness needs in the privacy and data protection sectors." According to the FCC's Chair, the Task Force, which will be headed up by the chief of the agency's enforcement bureau, will oversee rulemaking, investigations, and enforcement around data breaches, cyber intrusions, and supply chain vulnerabilities involving third-party vendors that service regulated communications providers. If we experience a suspected data security incident, we may incur significant costs associated with investigation, mitigation, and remediation. In addition, in the event of a data security incident, we may be required by federal or state law or regulations to notify our customers, law enforcement, and/or law enforcement. relevant regulatory authorities. We may also be subject to enforcement actions if the FTC or state attorneys general have reason to believe we have engaged in unfair or deceptive privacy or data security practices. The FTC has also published an Advance Notice of Proposed Rulemaking seeking public comment on the need for new regulation of "commercial surveillance."

While Congress is actively considering comprehensive federal privacy legislation, U.S. states have taken the lead. California, for example, has enacted and subsequently amended (pursuant to a ballot initiative known as the California Privacy Rights Act) the California Consumer Privacy Act ("CCPA"). Pursuant to the CCPA, we are required, among other things, to make certain enhanced disclosures to California residents regarding our use or disclosure of their personal information, allow California residents to opt-out of certain uses and disclosures of their personal information without penalty, provide Californians with other choices related to personal data in our possession, and obtain opt-in consent before engaging in certain uses of personal information relating to Californians under the age of 16. The California Attorney General may seek substantial monetary penalties and injunctive relief in the event of our non-compliance with the CCPA. The CCPA also allows for private lawsuits from Californians in the event of certain data breaches. Further, breaches, and we are currently in litigation involving the Virginia Consumer Data Protection Act, a comprehensive privacy statute that shares similarities with CIPA matter as discussed under "Note 10. Commitments and Contingencies", involving the CCPA, CPRA, and legislation proposed in other states, came into effect on January 1, 2023. CCPA. Over 30 other states have enacted or are considering similar laws. When in effect, all of these laws give consumers additional rights to control the collection, use, and sharing of personal data, including the right to opt-out of the sale or sharing of their data for marketing and, in many cases obligate require opt-in consent to process sensitive personal data. The right to opt-out of personal data processing may impact our marketing activities, particularly those that involve the use of third-party cookies on our websites. This may require that we undertake rigorous due diligence and implement specific contractual terms when we engage marketing entities to market our product and services and may limit our efforts to reach our target audience, as well as require us to implement opt-out icons on our websites. All of these new and evolving state laws, have created further uncertainty and may require us to enter into additional contractual terms with customers and vendors, modify our policies and practices, and otherwise incur additional costs and expenses, in our efforts to comply.

Noncompliance with laws and regulations relating to privacy and security of personal information, including HIPAA (including contractual obligations under any Business Associate agreement), GLBA, and state privacy laws may lead to significant fines, civil and criminal penalties, or liabilities. The U.S. Department of Health and Human Services ("HHS") audits the compliance of Business Associates and enforces HIPAA privacy and security standards. HHS enforcement activity has become more significant over the last few years and HHS has signaled its intent to continue this trend. Violation of the FCC's privacy rules can result in large monetary forfeitures and injunctive relief. The FTC has broad authority to seek monetary redress for affected consumers and injunctive relief. In addition to federal regulators, state attorneys general (and, in some states, individual residents) are authorized to bring civil actions seeking either injunctions or damages (generally ranging from $2,500 to $7,500 per violation, but up to $20,000 in Colorado) to the extent violations implicate the privacy of state residents. Class action lawsuits are common in the event of a data breach affecting financial or other forms of sensitive information.

Legislators and regulators in the United States and elsewhere are increasingly focused on privacy protections for minors under 18 years of age. While RingCentral does not knowingly provide products or services directly to children under the age of 16, or knowingly collect or solicit personal information from or about children under the age of 16 outside of the school offering, recent state legislation will, when in effect, impose new obligations on online services where it is “reasonable to expect” that the service, product, or feature would be accessed by older teens, including, in some cases, 16 and 17 year old children. On September 15, 2022, California passed the California Age-Appropriate Design Code Act, which is currently subject to a judicial stay but could was scheduled to become enforceable as early as July 1, 2024. in the near future. Similar legislation has been adopted or introduced in numerous states, including, for example, Connecticut, Colorado, Florida, Arkansas, and Texas. other states. Congress is also actively considering legislation regulating the collection, use, and disclosure of personal information about minors. For example, the Kids Online Safety Act (“KOSA”) and amendments to the Children’s Online Privacy Protection Act (“COPPA 2.0”) would, if enacted, impose new obligations with respect to data collected from minors under 17 years of age. Both KOSA and COPPA 2.0 have been unanimously approved by the Senate Commerce Committee on two separate occasions, and more than sixty Senators have co-sponsored the most recent version of KOSA introduced earlier this year. The FCC recently announced the creation of a new Privacy and Data Protection Task Force to coordinate rulemaking and enforcement across the agency and may be contemplating the creation of new rules regarding processing of personal information about communications services subscribers. The National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce announced on September 28, 2023, its plans to issue a Request for Comment on health, safety, and privacy concerns associated with the use of online platforms by minors. Outside of the United States, the U.K.’s Information Commissioner’s Office has published the Age Appropriate Design Code, which it uses to evaluate compliance with the U.K. GDPR. The U.K.’s Online Safety Bill, which received royal assent in October 2023, will regulate the design and operation of online platforms that provide “user to user” interactivity. Many of these new and evolving laws and regulations have required and will continue to require us to incur costs and expenses and will require us to incur additional costs and expenses, in our efforts to comply.

Increasingly, jurisdictions in which RingCentral does business are regulating digital services in ways that go beyond traditional privacy and data protection legislation. For example, on November 17, 2022, the Digital Services Act (“DSA”) entered into force in the EU. The DSA includes new obligations to limit the spread of illegal content and illegal products online, increase the protection of minors, and provide users with more choice and transparency. The DSA allows for fines of up to 6%

of annual turnover. The impact of the DSA on the overall industry, business models and our operations are uncertain, and these regulations could result in changes to our subscriptions or introduce new operational requirements and administrative costs each of which could have an adverse effect on our business, financial condition, and results of operations.

The European Commission has proposed new legislation to enhance privacy protections for users of communications services and to enhance protection for individuals against online tracking technologies. The proposed legislation, the Regulation on Privacy and Electronic Communications (the “e-Privacy Regulation”), remains the subject of trilogue negotiations involving representatives of the European Commission, the European Council, and the European Parliament. The e-Privacy Regulation as currently proposed would impose greater potential liabilities upon communications service providers, including potential fines for the most serious of breaches of the greater of €20 million or 4% of worldwide annual turnover. New rules introduced by the e-Privacy Regulation are likely to include enhanced consent requirements for communications service providers in order to use communications content and communications metadata to deliver value added services, as well as restrict the use of data related to corporations and other non-natural persons. These restrictions, if adopted, may affect our future business growth in the EEA.

The EU AI Act, which has been approved by the Council of the European Parliament, Union, will impose obligations on providers and users of artificial intelligence. Under the EU AI Act, fines can reach up to €30 million or 6% of global income. The EU AI Act may impact the development and adoption of our AI solutions in Europe. Other countries, including the U.S., are increasingly looking to regulate AI. For example, on October 30, 2023, the Biden Administration issued an Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, and several AI bills have been introduced in Congress. Numerous states have established study commissions that could lead to regulation of AI at the state level, and the Federal Trade Commission, on November 21, 2023, adopted streamlined procedures for AI-related investigations. Other countries, including Brazil, China, and Israel, are contemplating laws regulating AI. As Internet commerce and communication technologies continue to evolve, thereby increasing online service providers’ and network users’ capacity to collect, store, retain, protect, use, process, and transmit large volumes of personal information, increasingly restrictive regulation by federal, state, or foreign agencies becomes more likely.

RingCentral seeks to comply with applicable data protection laws, regulations, standards, and codes of conduct, as well as our own posted privacy policies and contractual commitments to the extent possible. commitments. In addition to the fines and damages described above, any actual or alleged failure by us to comply with any of the foregoing or to protect our users’ privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of user confidence in our subscriptions and ultimately in a loss of users, which could materially and adversely affect our business.

Regulation of personal information is evolving, and new laws could further impact how we handle personal information or could require us to incur additional compliance costs, either of which could have an adverse impact on our operations. Further, our actual compliance, our customers’ perception of our compliance, costs of compliance with such regulations, and obligations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our subscriptions and reduce overall demand. Privacy-related concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our subscriptions, may cause our customers’ customers to resist providing the personal data necessary to allow our customers to use our subscriptions effectively. Even the perception of privacy-related concerns, whether or not valid, may inhibit market adoption of our subscriptions in certain industries.

Additionally, due to the nature of our service, we are unable to maintain complete control over data security or the implementation of measures that reduce the risk of a data security incident. For example, our customers may accidentally disclose their passwords or store them on a mobile device that is lost or stolen, creating the perception that our systems are not secure against third-party access. Additionally, our third-party contractors in the Philippines, U.S., Georgia, and elsewhere may have access to customer data; however, no customer personal customer data is stored in Russia or Ukraine. If these or other third-party vendors violate applicable laws or our policies, such violations may also put our customers’ information at risk and could in turn have a material and adverse effect on our business.

Our emergency and E-911 calling services may expose us to significant liability.

The FCC requires Internet voice communications providers, such as our company, to provide E-911 service in all geographic areas covered by the traditional wireline E-911 network. Under the FCC's rules, Internet voice communications providers must transmit the caller's phone number and registered location information to the appropriate public safety answering point ("PSAP") or route the call to a national emergency call center. Our CLEC services are also required by the

FCC and state regulators to provide E-911 service to the extent that they provide services to end users. We are also subject to similar requirements internationally.

In connection with the regulatory requirements that we provide access to emergency services dialing to our interconnected VoIP customers, we must obtain from each customer, prior to the initiation of or changes to service, the physical locations at which the service will first be used for each VoIP line. For subscriptions that can be utilized from more than one physical location, we must provide customers one or more methods of updating their physical location. Because we are not able to confirm that the service is used at the actual physical addresses provided by our customers, and because customers may provide an incorrect location or fail to provide updated location information, it is possible that emergency services calls may get routed to the wrong PSAP. If emergency services calls are not routed to the correct PSAP, and if the delay results in serious injury or death, we could be sued and the damages substantial. We are evaluating measures to attempt to verify and update the addresses for locations where our subscriptions are used.

In addition, customers may attempt to hold us responsible for any loss, damage, personal injury, or death suffered as a result of delayed, misrouted, or uncompleted emergency service calls or text messages, subject to any limitations on a provider's liability provided by applicable laws, regulations and our customer agreements.

We rely on third parties to provide the majority of our customer service and support representatives and to fulfill various aspects of our E-911 service. If these third parties do not provide our customers with reliable, high-quality service, our reputation will be harmed, and we may lose customers.

We offer customer support through both our online account management website and our toll-free customer support number in multiple languages. Our customer support is currently provided primarily via a third-party provider located in the Philippines, as well as our employees in the U.S. Our third-party providers generally provide customer service and support to our customers without identifying themselves as independent parties. The ability to support our customers may be disrupted by natural disasters, inclement weather conditions, civil unrest, strikes, and other adverse events in the Philippines. Furthermore, as we expand our operations internationally, we may need to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in additional foreign languages. We also use third parties to deliver onsite professional services to our customers in deploying our solutions. If these vendors do not deliver timely and high-quality services to our customers, our reputation could be damaged, and we could lose customers. In addition, third-party professional services vendors may not be available when needed, which would adversely impact our ability to deliver on our customer commitments.

We also contract with third parties to provide emergency services calls in the U.S., Canada, the U.K., and other jurisdictions in which we provide access to emergency services dialing, including assistance in routing emergency calls and terminating emergency services calls. Our domestic providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain PSAP databases for the purpose of deploying and operating E-911 services. We rely on providers for similar functions in other jurisdictions in which we provide access to emergency services dialing. On mobile devices, we rely on the underlying cellular or wireless carrier to provide emergency services dialing. Interruptions in service from our vendors could cause failures in our customers' access to E-911/999/112 services and expose us to liability and damage our reputation.

If any of these third parties do not provide reliable, high-quality service, or the service is not provided in compliance with regulatory requirements, our reputation and our business will be harmed. In addition, industry consolidation among providers of services to us may impact our ability to obtain these services or increase our costs for these services.

Risks Related to Intellectual Property

Accusations of infringement of third-party intellectual property rights could materially and adversely affect our business.

There has been substantial litigation in the areas in which we operate regarding intellectual property rights. For instance, we have recently and in the past been sued by third parties claiming infringement of their intellectual property rights and we may be sued for infringement from time to time in the future. Also, in some instances, we have agreed to indemnify our customers, resellers, and global service providers for expenses and liability resulting from claimed intellectual property infringement by our solutions. We offer indemnifications in our standard sales contracts, which include the obligation for us to assume the defense and/or reimburse our customers and/or resellers and global service providers for their expenses, settlement and/or liability incurred in connection with allegations of intellectual property infringement. In the past, we have settled infringement litigation brought against us; however, we cannot assure you that we will be able to settle any future claims or, if we are able to settle any such claims, that the settlement will be on terms favorable to us. Our broad range of technology may increase the likelihood that third parties will claim that we, or our customers and/or resellers, and global service providers, infringe their intellectual property rights.

We have in the past received, and may in the future receive, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Furthermore, regardless of their merits, accusations and lawsuits like these, whether against us or our customers, resellers, and global service providers, may require significant time and expense to defend, may negatively affect customer relationships, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Certain technology necessary for us to provide our subscriptions may, in fact, be patented or copyrighted by other parties either now or in the future. If such technology were validly patented or copyrighted by another person, we would have to negotiate a license for the use of that technology. We may not be able to negotiate such a license at a price that is acceptable to us or at all. The existence of such a patent or software, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using the technology and cease offering subscriptions incorporating the technology, which could materially and adversely affect our business and results of operations.

If we, or any of our solutions, were found to be infringing on the intellectual property rights of any third party, we could be subject to liability for such infringement, which could be material. We could also be prohibited from using or selling certain subscriptions, prohibited from using certain processes, required to pay license fees for the technology, or required to redesign certain subscriptions, each of which could have a material adverse effect on our business and results of operations.

These and other outcomes may:

- result in the loss of a substantial number of existing customers or prohibit the acquisition of new customers;
- cause us to pay license fees for intellectual property we are deemed to have infringed;
- cause us to incur costs and devote valuable technical resources to redesigning our subscriptions;
- cause our cost of revenues to increase;
- cause us to manage or defend legal disputes, including litigation which may result in incremental cost, liabilities, reputational damage and distraction to our management team;
- cause us to accelerate expenditures to preserve existing revenues;
- cause existing or new vendors to require pre-payments or letters of credit;
- materially and adversely affect our brand in the marketplace and cause a substantial loss of goodwill;
- cause us to change our business methods or subscriptions;
- require us to cease certain business operations or offering certain subscriptions or features; and
- lead to our bankruptcy or liquidation.

Our limited ability to protect our intellectual property rights could materially and adversely affect our business.

We rely, in part, on patent, trademark, copyright, and trade secret law to protect our intellectual property in the U.S. and abroad. We seek to protect our technology, software, documentation and other information under trade secret and copyright law, which afford only limited protection. For example, we typically enter into confidentiality agreements with our employees, consultants, third-party contractors, customers, and vendors in an effort to control access to, use of, and distribution of our technology, software, documentation, and other information. These agreements may not effectively prevent unauthorized use or disclosure of confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure, and it may be possible for a third party to legally reverse engineer, copy, or otherwise obtain and use our technology without authorization. In addition, improper disclosure of trade secret information by our current or former employees, consultants, third-party contractors, customers, or vendors to the public or others who could make use of the trade secret information would likely preclude that information from being protected as a trade secret.

We also rely, in part, on patent law to protect our intellectual property in the U.S. and internationally. Our As of June 30, 2024, our intellectual property portfolio includes included over 455 459 issued patents, including patents acquired from strategic partnership transactions, which expire between 2024 and 2041. We 2042. As of June 30, 2024, we also have had 71 patent applications pending examination in the U.S. and 19 23 patent applications pending examination in foreign jurisdictions, all of which are related to U.S. applications. We cannot predict whether such pending patent applications will result in issued patents or whether any issued patents will effectively protect our intellectual property. Even if a pending patent application results in an issued patent, the patent may be circumvented or its validity may be challenged in various proceedings in United States District Court or before the U.S. Patent and Trademark Office, such as Post Grant Review or *Inter Partes* Review, which may require legal representation and involve substantial costs and diversion of management time and resources. We cannot assure completeness of the chain of title of acquired patents prior to the completion of the assignments. In addition, we cannot assure you that every significant feature or functionality of our solutions is protected by our patents, or that we will mark our solutions with any or all patents they embody. As a result, we may be prevented from seeking injunctive relief or damages, in whole or in part for infringement of our patents.

Further, we have in the past and may in the future “prune” our patent portfolio by not continuing to renew some of our patents in some jurisdictions or may decide to divest some of our patents.

The unlicensed use of our brand, including domain names, by third parties could harm our reputation, cause confusion among our customers and impair our ability to market our solutions and subscriptions. To that end, we have registered numerous trademarks and service marks and have applied for registration of additional trademarks and service marks and have acquired a large number of domain names in and outside the U.S. to establish and protect our brand names as part of our intellectual property strategy. If our applications receive objections or are successfully opposed by third parties, it will be difficult for us to prevent third parties from using our brand without our permission. Moreover, successful opposition to our applications might encourage third parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. If we are not successful in protecting our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand.

Despite our efforts to implement our intellectual property strategy, we may not be able to protect or enforce our proprietary rights in the U.S. or internationally (where effective intellectual property protection may be unavailable or limited). For example, we have entered into agreements containing confidentiality and invention assignment provisions in connection with the outsourcing of certain software development and quality assurance activities to third-party contractors located in Georgia, and previously third-party contractors that we used in Bulgaria, Ukraine, Spain and Russia. other international locations. We have also entered into an agreement containing a confidentiality provision with a third-party contractor located in the Philippines, where we have outsourced a significant portion of our customer support function. We cannot assure you that agreements with these third-party contractors or their agreements with their employees and contractors will adequately protect our proprietary rights in the applicable jurisdictions and foreign countries, as their respective laws may not protect proprietary rights to the same extent as the laws of the U.S. In addition, our competitors may independently develop technologies that are similar or superior to our technology, duplicate our technology in a manner that does not infringe our intellectual property rights or design around any of our patents. Furthermore, detecting and policing unauthorized use of our intellectual property is difficult and resource-intensive. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation, whether successful or not, could result in substantial costs and diversion of management time and resources and could have a material adverse effect on our business, financial condition, and results of operations.

Our use of open source technology could impose limitations on our ability to commercialize our subscriptions.

We use open source software in our platform on which our subscriptions operate. There is a risk that the owners of the copyrights in such software may claim that such licenses impose unanticipated conditions or restrictions on our ability to market or provide our subscriptions. If such owners prevail in such claim, we could be required to make the source code for our proprietary software (which contains our valuable trade secrets) generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our subscriptions, to re-engineer our technology, or to discontinue offering our subscriptions in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could cause us to discontinue our subscriptions, harm our reputation, result in customer losses or claims, increase our costs or otherwise materially and adversely affect our business and results of operations. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose our source code that incorporates or is a modification of such licensed software. While we use tools designed to help us monitor and comply with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the terms of their licenses, including claims of intellectual property rights infringement or for breach of contract.

Risks Related to Our Indebtedness

Our Credit Agreement imposes operating and financial restrictions on us.

On February 14, 2023, we entered into a Credit Agreement among the Company, us, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and as collateral agent, which was amended on August 15, 2023 and , November 2, 2023 to add additional commitments to the credit facility, August 2, 2024 to extend the availability of our $75.0 million of undrawn term loan commitments to May 2, 2025, and August 7, 2024 to add additional commitments of $275.0 million to the credit facility (as amended, the "Credit Agreement"). The obligations under the Credit Agreement and the other loan documents are guaranteed by certain of our material domestic subsidiaries, and secured by substantially all of our personal property and that of such subsidiary guarantors. The Credit Agreement provides for a $225.0 million $225.0 million revolving loan facility (the "Revolving Credit Facility") and a $475.0 million $750.0 million delayed draw term loan facility (the "Term Loan"). As of March 31, 2024 June 30, 2024, we had no amounts outstanding under our Revolving Credit Facility, $385.0 million $380.0 million principal outstanding under our Term Loan, and $75.0 million $75.0 million of Term Loan commitments available for draw. draw, until May 2, 2025. Any drawdown under the Credit Agreement would be subject to compliance with the restrictive covenants contained in our Senior Notes Indenture.

Our Credit Agreement contains covenants that limit our ability and the ability of certain of our subsidiaries to:

- incur and guarantee additional debt;
- incur liens;
- make acquisitions and other investments;
- dispose of assets;
- pay dividends and make other distributions in respect of, or redeem or repurchase, capital stock;
- prepay, redeem or repurchase certain subordinated debt;
- enter into transactions with affiliates;
- with respect to such subsidiaries, enter into agreements restricting their ability to pay dividends or make other distributions; and
- consolidate, merge or sell all or substantially all of our or such subsidiaries' assets.

Further, the Credit Agreement contains financial covenants that require compliance with a maximum total net leverage ratio and minimum interest coverage ratio, in each case tested at the end of each fiscal quarter. These covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities or react to market conditions, or otherwise restrict our activities or business plans. In addition, our obligations to repay principal and interest on our indebtedness could make us vulnerable to economic or market downturns.

A breach of any of these covenants could result in an event of default under the Credit Agreement. As of March 31, 2024 June 30, 2024, we were in compliance with all covenants under the Credit Agreement; however, if an event of default occurs, the lenders may elect to terminate their commitments and accelerate our obligations under the Credit Agreement. Any such acceleration could result in an event of default under the Convertible Notes (as defined below). We might not be able to repay our debt or borrow sufficient funds to refinance it on terms that are acceptable to us. Refer to Note 5 6 – *Long-Term Debt* in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

Servicing our debt, including the Notes and Credit Agreement, may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay all of our indebtedness.

As of March 31, 2024 June 30, 2024, we had $161.3 million aggregate principal amount of our 0% convertible notes due 2025 (the “2025 Convertible Notes”) outstanding, $609.1 million aggregate principal amount of our 0% convertible notes due 2026 (the “2026 Convertible Notes” and, together with the 2025 Convertible Notes, the “Convertible Notes”) outstanding and $400.0 million aggregate principal amount of our 8.500% senior notes due 2030 (the “2030 Senior Notes” and, together with the Convertible Notes, the “Notes”) outstanding. The 2025 Convertible Notes will mature on March 1, 2025, the 2026 Convertible Notes will mature on March 15, 2026, and the 2030 Senior Notes will mature on August 15, 2030. Subject to certain conditions, we may borrow additional amounts under the Credit Agreement, including up to $225.0 million under our existing Revolving Credit Facility, and up to $75.0 million $350.0 million of additional Term Loans. As of March 31, 2024 June 30, 2024, we had no amounts outstanding under our Revolving Credit Facility and $385.0 $380.0 million principal outstanding under our Term Loan.

The Company’s Our ability to make scheduled payments of the principal of, to pay interest on or to refinance its our indebtedness, including the Notes and any amounts borrowed under the Credit Agreement, depends on its our future performance, which is subject to economic, financial, competitive, and other factors beyond the Company’s our control. The Company’s Our business may not generate cash flow from operations in the future sufficient to service its debt and make necessary capital expenditures. If the Company is we are unable to generate such cash flow, it we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. The Company’s Our ability to refinance any future indebtedness will depend on the capital markets and its our financial condition at such time. The Company We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its our debt obligations. Additionally, the Credit Agreement and the indenture governing the 2030 Senior Notes (the “Senior Notes Indenture”) do, and any of the Company’s our future debt agreements may also, contain restrictive covenants that may prohibit the Company us from adopting some or any of these alternatives. For example, the Credit Agreement contains negative covenants that restrict the Company’s our and its our subsidiaries’ ability to incur indebtedness, create liens, make investments, dispose of assets and make certain restricted payments. The Company’s Our failure to comply with these covenants could result in an event of default under its our indebtedness which, if not cured or waived, could result in the acceleration of its our debt and termination of the commitments under the Credit Agreement.

In addition, the Company’s our indebtedness, combined with its our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- require a portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available to fund acquisitions, for working capital and capital expenditures, and for other general corporate purposes;
- make the Company us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulations;
- limit the Company’s our flexibility in planning for, or reacting to, changes in its our business and industry;
- place the Company us at a disadvantage compared to its our competitors who have less debt;
- limit the Company’s our ability to obtain additional financing to fund acquisitions, for working capital and capital expenditures, and for other general corporate purposes; and
- make an acquisition of the Company our company less attractive or more difficult. difficult; and
- limit our ability to repurchase capital stock or manage shareholder dilution.

Any of these factors could harm the Company’s our business, results of operations, and financial condition. In addition, if the Company incurs we incur additional indebtedness, the risks related to its our business and its our ability to service or repay its our indebtedness would increase.

We may require additional capital or need to restructure our existing debt to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, results of operations, and financial condition may be adversely affected.

We intend to continue to make expenditures and investments to support the growth of our business and may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure, and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financing activities to secure additional funds or restructure our existing debt. However, additional funds may not be available or we may not be able to restructure our existing debt when we need to on terms that are acceptable to us, or at all. Volatility in equity capital markets may materially and adversely affect our ability to fund our business through public or private sales of equity securities or debt restructuring. Rising interest rates and/or instability in the banking and finance industries may reduce our access to debt capital. Our current debt agreements do contain and any future debt financing that we secure in the future could involve may include restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, the restrictive covenants in the Credit Agreement, Senior Notes Indenture and any additional credit facilities or debt agreements we may secure in the future may restrict us from being able to conduct our operations in a manner appropriate for our business and may restrict our growth, which could have an adverse effect on our business, financial condition, or results of operations.

We cannot assure you that we will be able to comply with any such restrictive covenants. In the event that we are unable to comply with these covenants in the future, we would seek an amendment or waiver of the covenants. We cannot assure you that any such waiver or amendment would be granted. In such event, we may be required to repay any or all of our existing borrowings, and we cannot assure you that we will be able to borrow under our existing credit agreements, or obtain alternative funding arrangements on commercially reasonable terms, or at all.

In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. The conversion of our outstanding Convertible Notes and any future issuances of other equity or any future issuances of equity or convertible debt securities could result in significant dilution to our existing stockholders, and any new equity or convertible debt securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A Common Stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected.

We may not have the ability to raise the funds necessary to settle conversions of the Convertible Notes in cash or to repurchase the Notes upon a fundamental change or change of control under the applicable Notes Indenture (as defined below) governing the Notes or pay the principal amount of the Notes at maturity, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes, as applicable.

Holders of the Notes will have the right to require us to repurchase all or a portion of such Notes upon the occurrence of a fundamental change or change of control, as applicable, before the applicable maturity date at a repurchase price as set forth in the Senior Notes Indenture or the indenture indentures governing the applicable series of our Convertible Notes (the “Convertible Notes Indenture” Indentures” and, together with the Senior Notes Indenture, the “Notes Indentures”), as applicable, plus any accrued and unpaid special interest thereon, if any, as set forth in the applicable Notes Indenture. In addition, upon conversion of the Convertible Notes of the applicable series, we will be required to make cash payments in respect of such Convertible Notes being converted, as set forth in the applicable Convertible Notes Indenture. Moreover, we will be required to repay the Notes of the applicable series in cash at their respective maturity unless earlier converted, redeemed or repurchased, as applicable. However, even though we entered into the Credit Agreement, we cannot assure you that we will have enough available cash on hand or be able to obtain financing at the time we are required to make repurchases of such Notes surrendered therefor or pay cash with respect to (i) such series of Convertible Notes being converted or (ii) such series of Notes at their respective maturity.

In addition, our ability to repurchase the Notes of the applicable series or to pay cash (i) upon conversions of the Convertible Notes or (ii) at their respective maturity may be limited by law, regulatory authority, or potential agreements governing our future indebtedness. Further, our failure to repurchase such Notes at a time when the repurchase is required by the applicable Notes Indenture or to pay cash (i) upon conversions of such Convertible Notes or (ii) at their respective maturity,

as required by the applicable Notes Indenture, would constitute a default under such Notes Indenture. A default, or the occurrence of a fundamental change or change of control, as applicable, under such Notes Indenture, could also lead to a default under potential agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change or change of control, as applicable, under the applicable Notes Indenture could itself constitute an event of default under any such Notes Indenture. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase such series of Notes or make cash payments upon conversions thereof, as applicable.

The Senior Notes Indenture contains restrictive, operational, and financial covenants that may limit our ability to engage in activities that may be in our long-term best interest.

The Senior Notes Indenture contains restrictive covenants that may limit our ability, and the ability of our subsidiary guarantors, to, among other things:

- create liens on certain assets to secure debt;
- grant a subsidiary guarantee of certain debt without also providing a guarantee of the 2030 Senior Notes; and
- consolidate or merge with or into, or sell or otherwise dispose of all or substantially all of our assets to, another person.

As a result of these restrictions, we will be limited as to how we conduct our business, and we may be unable to access all of our available commitments under the Credit Agreement, raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration or cross-acceleration of the 2030 Senior Notes. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected.

Our failure to comply with the restrictive covenants described above and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due dates. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

The Convertible Notes contain a conversion feature that allows note holders to convert Convertible Notes into shares of our Class A Common Stock as set forth in the Senior Notes Indenture. In the event the conditional conversion feature of the Convertible Notes is triggered, holders of the Convertible Notes will be entitled under the applicable Convertible Notes Indenture to convert such Convertible Notes at any time during specified periods at their option. If one or more holders of a series elect to convert their Convertible Notes, we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, in certain circumstances, such as conversion by holders or redemption, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of such series of Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The capped call transactions may affect the value of the Convertible Notes and our Class A Common Stock and we are subject to counterparty risk.

In connection with the issuances of the Convertible Notes, we entered into capped call transactions with the counterparties with respect to the Convertible Notes. The capped call transactions cover, subject to customary adjustments, the number of shares of our Class A Common Stock initially underlying the Convertible Notes. The capped call transactions are expected to offset the potential dilution as a result of conversion of the Convertible Notes.

The counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A Common Stock and/or purchasing or selling our Class A Common Stock or other securities of ours in secondary market transactions at any time prior to the respective maturity of the Convertible Notes (and are likely to do so on each exercise date of the capped call transactions). This activity could also cause or prevent an increase or a decrease in the market price of our Class A Common Stock.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Convertible Notes or the shares of our Class A Common Stock. In addition, we do not make any representation that these transactions will not be discontinued without notice.

In addition, the counterparties to the capped call transactions are financial institutions and we will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions. If a counterparty to one or more capped call transaction becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, it will increase if the market price or the volatility of our Class A Common Stock increases. Upon a default or other failure to perform, or a termination of obligations, by a counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our Class A Common Stock. We can provide no assurances as to the financial stability or viability of the counterparties.

Risks Related to Our Class A Common Stock and Our Charter Provisions

The market price of our Class A Common Stock is likely to be volatile and could decline.

The stock market in general, and the market for SaaS and other technology-related stocks in particular, has been highly volatile. As a result, the market price and trading volume for our Class A Common Stock has been and may continue to be highly volatile, and investors in our Class A Common Stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Factors that could cause the market price of our Class A Common Stock to fluctuate significantly include:

- our operating and financial performance and prospects and the performance of other similar companies including our strategic partners and global service providers;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our subscriptions;
- the public’s reaction to our press releases, financial guidance, and other public announcements, and filings with the SEC;
- changes in earnings estimates or recommendations by securities or research analysts who track our Class A Common Stock;
- actual or perceived security breaches, or other privacy or cybersecurity incidents;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and other regulations;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- arrival and departure of key personnel;
- sales of common stock by us, our investors, or members of our management team;
- repurchases of Class A Common Stock by the Company;

- changes in general market, economic, and political conditions in the U.S. and global economies or financial markets, including those resulting from natural disasters, telecommunications failure, cyber-attack, changes in diplomatic or trade relationships, banking crises, civil unrest in various parts of the world, acts of war (including geopolitical tensions related to the war between Russia and Ukraine, resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions, and the war between Israel and Hamas), terrorist attacks, or other catastrophic events, such as the global outbreak of COVID-19 or any future pandemic; and
- Geopolitical relations between the U.S. and China.

Any of these factors may result in large and sudden changes in the trading volume and market price of our Class A Common Stock and may prevent investors from being able to sell their shares at or above the price they paid for their shares of our Class A Common Stock. Following periods of volatility in the market price of a company's securities, stockholders often file securities class-action lawsuits against such company. Our involvement in a class-action lawsuit could divert our senior management's attention and, if adversely determined, could have a material and adverse effect on our business, reputation, financial condition, and results of operations.

For as long as the dual class structure of our common stock as contained in our charter documents is in effect, voting control will be concentrated with a limited number of stockholders that held our stock prior to our initial public offering, including primarily our founders and their affiliates, and limiting other stockholders' ability to influence corporate matters.

Our Class B common stock, par value $0.0001 per share ("Class B Common Stock" and, together with our Class A Common Stock, our "common stock"), has 10 votes per share, and our Class A Common Stock has one vote per share. Additionally, our Series A Convertible Preferred Stock has voting power measured on an as-converted to Class A Common Stock basis. As of March 31, 2024June 30, 2024, stockholders who hold shares of Class B Common Stock, including our founders and certain executive officers, and their affiliates, together hold approximately 54% of the voting power of our outstanding capital stock, and our founders, including our Chairman and Chief Executive Officer, together hold a majority of such voting power. As a result, for as long as the Class B voting structure remains in place, a small number of stockholders who acquired their shares prior to the completion of our initial public offering will continue to have significant influence over the management and affairs of our company and over the outcome of many matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

In addition, because of the ten-to-one voting ratio between our Class B and Class A Common Stock, the holders of Class B Common Stock collectively will continue to control many matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the voting power of the outstanding shares of our capital stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A Common Stock could be adversely affected.

Future transfers by holders of Class B Common Stock will generally result in those shares converting to Class A Common Stock, which may have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. If, for example, Mr. Shmunis retains a significant portion of his holdings of Class B Common Stock for an extended period of time, he could, in the future, control a majority of the combined voting power of our capital stock. As a board member, Mr. Shmunis owes fiduciary duties to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Shmunis is generally entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

We have never paid cash dividends and do not anticipate paying any cash dividends on our common stock.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future and plan to, instead, retain any earnings to finance our operations and growth. In addition, the Credit Facility contains restrictive covenants that limit our ability to pay dividends. Because we have never paid cash dividends and do not anticipate paying any cash dividends on our common stock in the foreseeable future, the only opportunity to achieve a return on an investor's investment in our company will be if the market price of our Class A Common Stock appreciates and the investor sells its shares at a profit. There is no guarantee that the price of our Class A Common Stock that will prevail in the market will ever exceed the price that an investor pays.

The holders of Series A Convertible Preferred Stock are entitled to vote on an as-converted to Class A Common Stock basis and have rights to approve certain actions.

The holders of our Series A Convertible Preferred Stock are generally entitled to vote with the holders of our common stock on all matters submitted for a vote of holders of shares of our capital stock (voting together with the holders of shares of common stock as one class) on an as-converted basis. However, the consent of the holders of a majority of the outstanding shares of Series A Convertible Preferred Stock (voting together as a separate class) is required in order for us to take certain actions, including (i) any amendment, alteration, or repeal of (A) any provision of our certificate of incorporation or bylaws that adversely affects, in any material respect, the rights, preferences, privileges, or voting power of the Series A Convertible Preferred Stock or the holders thereof or (B) any provision of our certificate of designations, (ii) issuances of securities that are senior to, or equal in priority with, the Series A Convertible Preferred Stock as to dividend rights or rights on the distribution of assets on liquidation, (iii) any increase or decrease in the authorized number of shares of Series A Convertible Preferred Stock or issuances thereof, and (iv) any dividend on our common stock that is a one-time special dividend of $100,000,000 or more.

As a result, the holders of Series A Convertible Preferred Stock may in the future have the ability to influence the outcome of certain matters affecting our governance and capitalization.

The issuance of shares of our Series A Convertible Preferred Stock reduces the relative voting power of holders of our common stock, and the conversion of those shares into shares of our Class A Common Stock would dilute the ownership of our common stockholders and may adversely affect the market price of our Class A Common Stock.

The holders of our Series A Convertible Preferred Stock are generally entitled to vote, on an as-converted basis, together with holders of our common stock, on all matters submitted to a vote of the holders of our capital stock, which reduces the relative voting power of the holders of our common stock. In addition, the conversion of our Series A Convertible Preferred Stock into Class A Common Stock would dilute the ownership interest of existing holders of our common stock, and any conversion of the Series A Convertible Preferred Stock would increase the number of shares of our Class A Common Stock available for public trading, which could adversely affect prevailing market prices of our Class A Common Stock.

Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to the rights of, our common stockholders, which could adversely affect our liquidity and financial condition.

The holders of our Series A Convertible Preferred Stock have the right to receive payments as to dividend rights and on account of the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of our business before any payment may be made to holders of any other class or series of capital stock. In addition, upon prior written notice of certain change of control events, all shares of Series A Convertible Preferred Stock will automatically be redeemed by us for a repurchase price equal to $1,000 per share of each share of Series A Convertible Preferred Stock (the “Liquidation Preference”). These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of our Series A Convertible Preferred Stock could also limit our ability to obtain additional financing, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of our Series A Convertible Preferred Stock and holders of our common stock.

We cannot guarantee that our stock repurchase programs will be fully implemented or that they will enhance long-term stockholder value.

On February 13, 2023, our board of directors authorized a share repurchase program under which we may repurchase up to $175.0 million of our outstanding Class A Common Stock, subject to certain limitations. Subsequently, on each of May 16, 2023, November 1, 2023, February 7, 2024, and February 7, 2024 May 1, 2024, our board of directors authorized additional share repurchase programs under which we may repurchase up to an additional $125.0 million, $100.0 million, $150.0 million, and $150 million $250.0 million, respectively, of our outstanding Class A Common Stock, also subject to certain limitations. We plan to fund repurchases under these programs from our future cash flow generation, as well as from additional potential sources of cash including capped calls associated with the Convertible Notes. Under the programs, share repurchases may be made at our discretion from time to time in open market transactions, privately negotiated transactions, or other means. The programs do not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our Class A Common Stock. During the three six months ended March 31, 2024 June 30, 2024, we repurchased approximately $80.3 million $159.1 million of our Class A Common Stock under these programs. The timing and number of any future shares repurchased under the programs will be determined by the Company’s management and will depend on a variety of factors, including stock price, trading volume, and general business and market conditions. Our board of directors will review the programs periodically and may authorize adjustments of their terms, if appropriate. As a result, there can be no guarantee around the timing or volume of our share repurchases. The programs could affect the price of our Class A Common Stock, increase volatility and diminish our cash reserves. These programs may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value. Refer to Part II, Item 2 of this Quarterly Report on Form 10-Q for additional information.

Anti-takeover provisions in our certificate of incorporation and bylaws and under Delaware corporate law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A Common Stock.

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

- authorize our board of directors to issue, without further action by the stockholders, up to 100,000,000 shares of undesignated preferred stock, 200,000 share of which are currently designated as Series A Convertible Preferred Stock;
- require that, once our outstanding shares of Class B Common Stock represent less than a majority of the combined voting power of our common stock, any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent; specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- prohibit cumulative voting in the election of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- state that the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock is required to amend our bylaws and certain provisions of our certificate of incorporation; and
- reflect two classes of common stock, as discussed above.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder without obtaining specified approvals.

If research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our Class A Common Stock, our stock price and trading volume may decline.

The trading market for our Class A Common Stock will depend in part on the research and reports that research analysts publish about us and our business. If we do not maintain adequate research coverage or if one or more analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, the price of our Class A Common Stock may decline. If one or more of the research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our Class A Common Stock may decrease, which could cause our stock price or trading volume to decline.

General Risk Factors

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

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

- changes in the valuation of our deferred tax assets and liabilities;
- expiration of, or lapses in, the research and development tax credit laws;
- expiration or non-utilization of net operating loss carryforwards;
- tax effects of share-based compensation;
- expansion into new jurisdictions;
- potential challenges to and costs related to implementation and ongoing operation of our intercompany arrangements;
- changes in tax laws and regulations and accounting principles, or interpretations or applications thereof; and
- certain non-deductible expenses as a result of acquisitions.

Any changes in our effective tax rate could adversely affect our results of operations.

Changes in U.S. and foreign tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.

We are subject to tax laws, regulations, and policies of the U.S. federal, state, and local governments and of comparable taxing authorities in foreign jurisdictions. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates and otherwise adversely affect our tax positions and/or our tax liabilities. For example, in 2019, France introduced a digital services tax at a rate of 3% on revenues derived from digital activities in France, and other jurisdictions are proposing or could introduce similar laws in the future. In addition, the United States recently introduced a 1% excise tax on stock buybacks, which could increase the cost to us of implementing our share repurchase programs or repurchasing our Series A Preferred Stock, and a 15% alternative minimum tax on adjusted financial statement income. Many countries, including the United States, and organizations such as the Organization for Economic Cooperation and Development (the "OECD") are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. As an example, On October 8, 2021, the Organization for Economic Co-operation and Development (the "OECD") announced the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (the "Framework") which agreed to a two-pillar solution to address tax challenges arising from digitalization of the economy. On December 20, 2021, the OECD released Pillar Two Model Rules defining the global minimum tax rules, which contemplate a minimum tax rate of 15% for large multinational companies. On December 15, 2022, the European Union (EU) Member States formally adopted the EU's Pillar Two Directive and various countries have enacted or are in the process of enacting legislation on these rules. The Pillar Two legislative changes, when enacted by various countries in which we do business, are not anticipated to have a material impact on our tax liabilities. We will continue to monitor legislative and regulatory developments to assess potential impacts that Pillar Two rules may have on our business, operating results and financial condition. Any further developments or changes in U.S. federal or state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. There can be no assurance that our effective tax rates, tax payments, tax credits, or incentives will not be adversely affected by these or other developments or changes in law.

If our internal control over financial reporting is not effective, it may adversely affect investor confidence in our company.

Pursuant to Section 404 of the Sarbanes-Oxley Act, our independent registered public accounting firm, KPMG LLP, is required to and has issued an attestation report as of December 31, 2023. While management concluded internal control over financial reporting was at a reasonable assurance level as of December 31, 2023, there can be no assurance that material weaknesses will not be identified in the future. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. As a result, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Our remediation efforts may not enable us to avoid a material weakness in the future.

If our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A Common Stock to decline, and we may be subject to investigation or sanctions by the SEC.

The nature of our business requires the application of complex revenue and expense recognition rules and the current legislative and regulatory environment affecting generally accepted accounting principles is uncertain. Significant changes in current principles could affect our financial statements going forward and changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our operating results.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board (the “FASB”), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies’ accounting policies are being subject to heightened scrutiny by regulators and the public. Further, the accounting rules and regulations are continually changing in ways that could materially impact our financial statements.

We cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward, which could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of the change. While we are not aware of any specific event or circumstance that would require a material update to our estimates, judgments or assumptions, this may change in the future. In addition, if we were to change our critical accounting estimates, including those related to the recognition of subscription revenue and other revenue sources, our operating results could be significantly affected.

Our estimates or judgments relating to our critical accounting policies may be based on assumptions that change or prove to be incorrect, such as with respect to our recoverability assessment for prepaid sales commission balances with Avaya, which could cause our results of operations to fall below expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, the allowance for doubtful accounts, valuation of long-term investments, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities, and accrued liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The results of these estimates form the basis for making judgments about the recognition and measurement of certain assets and liabilities and revenue and expenses that is not readily apparent from other sources. Our accounting policies that involve judgment include those related to revenues the allowance for doubtful accounts, valuation of long-term investments, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities, and accrued liabilities. If our assumptions change or if actual circumstances differ from those in our assumptions, our results of operations could be adversely affected, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

Regulators' Regulators’, investors’ and other stakeholders’ expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from regulators, investors, customers and other stakeholders concerning environmental, social and governance matters (“ESG”). Regulators are driving legislation to bring consistency and transparency to ESG disclosures. Some investors may use these ESG performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to ESG are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

Our voluntary ESG and climate disclosures, as well as our reporting under related disclosure regulations, or a failure to meet evolving stakeholder expectations for ESG reporting and practices, may potentially harm our reputation and customer relationships or expose us to liability. Due to new regulatory standards and market standards, certain new or existing customers may impose stricter ESG guidelines or contractual language for, and may scrutinize relationships more closely with, their counterparties, including us, which may lengthen sales cycles or increase our costs.

Furthermore, if our competitors’ ESG performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives or goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals.

Our corporate headquarters, one of our data centers and co-location facilities, our third-party customer service and support facilities, and a research and development facility are located near known earthquake fault zones, and the occurrence of an earthquake, tsunami, or other catastrophic disaster could damage our facilities or the facilities of our contractors, which could cause us to curtail our operations.

Our corporate headquarters and other offices and many of our data centers, co-location and research and development facilities, and third-party customer service call centers are located in the U.S. (including in the state of California), Spain,

Georgia, Bulgaria, and several countries in Asia, including China, the Philippines, India, and Australia. Many of these locations are near known earthquake fault zones, which are vulnerable to damage from earthquakes and tsunamis, or are in areas subject to hurricanes. hurricanes and typhoons. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics such as the global outbreak of COVID-19, cyber-attack, war (including ongoing geopolitical tensions related to the war between Russia and Ukraine, resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions, and including the ongoing war between Israel and Hamas), political unrest, and terrorist attacks and similar events that are beyond our control. If any disasters or geopolitical conflicts were to occur or worsen, our ability to operate our business could be seriously impaired, and we may endure system interruptions, reputational harm, loss of intellectual property, delays in our subscriptions development, lengthy interruptions in our services, breaches of data security, and loss of critical data, all of which could harm our future results of operations. In addition, we do not carry earthquake insurance and we may not have adequate insurance to cover our losses resulting from other disasters or other similar significant business interruptions. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes the share repurchase activity of our Class A Common Stock for the three months ended March 31, 2024 June 30, 2024 (in thousands, except per-share amounts):

Period	Total number of shares purchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the programs (1) (3)
Balance as of December 31, 2023				85,036
January 1, 2024 to January 31, 2024	1,032,526	$ 33.46	1,032,526	50,654
Authorization of additional share repurchase program	—	$ —	—	150,000
February 1, 2024 to February 29, 2024	183,170	$ 32.74	183,170	194,658
March 1, 2024 to March 31, 2024	1,145,506	$ 34.94	1,145,506	154,689
Balance as of March 31, 2024	2,361,202		2,361,202	154,689

Period	Total number of shares purchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the programs (1) (3)
Balance as of March 31, 2024				$ 154,689
Authorization of additional share repurchase program				250,000
April 1, 2024 to April 30, 2024	876,140	$ 31.43	876,140	377,208
May 1, 2024 to May 31, 2024	803,308	$ 34.41	803,308	349,709
June 1, 2024 to June 30, 2024	783,923	$ 30.61	783,923	325,952
Balance as of June 30, 2024	2,463,371		2,463,371	$ 325,952

(1) In November 2023, our board of directors authorized a share repurchase program under which we may repurchase up to $100.0 million of the Company's outstanding shares of Class A Common Stock, subject to certain limitations. In February 2024 our board of directors increased their authorization by $150.0 million, also subject to certain limitations. The authorization under these programs expires on December 31, 2024. In May 2024, our board of directors authorized an incremental $250 million $250.0 million share repurchase program, subject to certain limitations. The authorization under this program does not expire. Refer to Note 10, 11, *Stockholders' Deficit* in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q for additional information.

(2) Average price per share excludes excise taxes and broker's commissions.

(3) Amounts presented excludes excise taxes and broker's commissions on share repurchases.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Securities Trading Plans of Directors**Third Amendment and Executive Officers Fourth Amendment to Credit Agreement**

During our last fiscal quarter, We are providing the following officer, disclosure in lieu of filing a Current Report on Form 8-K relating to Item 1.01 (Entry into a Material Definitive Agreement) and Item 2.03 (Creation of a Direct Financial Obligation or an Obligation under an Off-

Balance Sheet Arrangement of a Registrant): On August 2, 2024, the Company entered into the Third Amendment to Credit Agreement (the "Third Amendment"), among the Company, the other loan parties party thereto, MUFG Bank, Ltd. and Bank of America, N.A., as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent"). The Amendment amends the Credit Agreement, dated as of February 14, 2023 (the "Credit Agreement", and as amended by the First Amendment to Credit Agreement, dated as of August 15, 2023, the Second Amendment to Credit Agreement, dated as of November 2, 2023, the Third Amendment, and the Fourth Amendment (as defined in Rule 16a-1(f) below), adopted a "Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, as follows:

On March 12, 2024 the "Amended Credit Agreement"), John Marlow, our Chief Administrative Officer, Senior Vice President, Corporate Development, General Counsel and Secretary, adopted a Rule 10b5-1 trading arrangement providing for among the sale Company, the lenders from time to time party thereto, the Administrative Agent and the Collateral Agent, to extend the delayed draw termination date for the undrawn $75.0 million of existing delayed draw term loan commitments from August 2, 2024 to May 2, 2025. The Company will continue to pay a quarterly ticking fee at a rate of 0.500% per annum on the daily unused amount of the existing delayed draw term loan commitments to, but excluding, the earlier of the funding date of such delayed draw term loans and May 2, 2025.

On August 6, 2024, the Company entered into the Fourth Amendment to Credit Agreement (the "Fourth Amendment"), among the Company, the other loan parties party thereto, the lenders party thereto, the Administrative Agent and the Collateral Agent. The Amendment amends the Credit Agreement to provide additional delayed draw term loan commitments in an aggregate principal amount of up to 234,502 shares $275.0 million in accordance with the incremental loan provisions of Class A common stock. the Credit Agreement. The number Company is required to pay a quarterly ticking fee at a rate of shares that may be sold 0.350% per annum, increasing to 0.500% per annum on February 6, 2025, on the daily unused amount of such new delayed draw term loan commitments to, but excluding, the earlier of the funding date of such new delayed draw term loans and May 6, 2025. Once borrowed, the additional delayed draw term loans will bear interest, at the Company's option, at either (a) a base rate, defined as a fluctuating rate per annum equal to the greatest of (i) the prime rate then in effect, (ii) the federal funds rate then in effect, plus 0.50% per annum, and (iii) an adjusted term SOFR rate determined on the basis of a one-month interest period, plus 1.00%, in each case, plus a margin of between 0.75% and 1.25%; and (b) an adjusted term SOFR rate (based on one, three or six month interest periods), plus a margin of between 1.75% and 2.25%. The applicable margin in each case is determined based on the Company's total net leverage ratio.

As of August 6, 2024, there was $380.0 million in aggregate principal amount of term loans and no revolving loans or letters of credit outstanding under the trading arrangement may also be increased by Amended Credit Agreement. Following the number Fourth Amendment, the aggregate principal amount of shares available term loan commitments under the Amended Credit Agreement equaled $350.0 million.

Certain of the company's Class A common stock, if any (not yet determinable) that are awarded to Mr. Marlow lenders under the company's employee equity bonus Amended Credit Agreement and executive equity compensation plans. their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company or the Company's affiliates. They have received, or may in the future receive, customary fees and commissions for those transactions.

Refer to Note 6, *Long-Term Debt*, in the accompanying notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information regarding our Credit Agreement.

The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration foregoing description of the trading arrangement Third Amendment and the Fourth Amendment and the transactions contemplated thereby is until June 30, 2025 or earlier if all transactions under not complete and is subject to, and qualified in its entirety by reference to, the trading arrangement Third Amendment and the Fourth Amendment, copies of which will be filed with the Securities and Exchange Commission in a subsequent periodic report and are completed.

incorporated herein by reference.

No other officers or directors, as defined in Rule 16a-1(f), have adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the last fiscal quarter.

Item 6. Exhibits.

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	Filed herewith		

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

RingCentral, Inc.

Date: May 7, 2024 August 7, 2024

By: /s/ Sonalee Parekh

Sonalee Parekh
Chief Financial Officer
(Principal Financial Officer)

Date: May 7, 2024 August 7, 2024

By: /s/ Vaibhav Agarwal

Vaibhav Agarwal
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31.1

Certification of Principal 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, Vladimir Shmunis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RingCentral, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(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.

/s/ Vladimir Shmunis

Vladimir Shmunis
Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 7, 2024 August 7, 2024

Exhibit 31.2

Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Sonalee Parekh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RingCentral, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(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 7, 2024 August 7, 2024

/s/ Sonalee Parekh

Sonalee Parekh
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

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

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

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

Date: May 7, 2024 August 7, 2024

/s/ Vladimir Shmunis

Vladimir Shmunis
Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 32.2

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

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

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

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

Date: May 7, 2024 August 7, 2024

/s/ Sonalee Parekh

Sonalee Parekh
Chief Financial Officer
(Principal Financial Officer)

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