REFINITIV

DELTA REPORT

10-Q

IOT - SAMSARA INC.

10-Q - JULY 29, 2023 COMPARED TO 10-Q - APRIL 29, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1118
CHANGES	223
DELETIONS	354
ADDITIONS	541

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 29, 2023 July 29, 2023

OR

o **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: 001-41140

SAMSARA INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-3100039**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 De Haro Street
San Francisco, California 94107
(Address of principal executive offices, including zip code)

(415) 985-2400
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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 o No x

As of May 30, 2023 August 29, 2023, there were 168,238,491 179,290,763 shares of the registrant's Class A common stock, 360,292,884 355,661,294 shares of the registrant's Class B common stock, and no shares of the registrant's Class C common stock, each with a $0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "goal," "intend," "may," "objective," "ongoing," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or the negative of these terms or other comparable expressions that concern our expectations, strategies, plans, or intentions.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, operating expenses, other key business metrics and non-GAAP financial measures, our ability to determine reserves, and our ability to achieve and maintain future profitability;
- the sufficiency of our cash, cash equivalents, and investments to meet our liquidity needs;

- our expectations regarding future dividend payments or issuances of additional capital stock;
- our ability to attract, retain, and expand our relationships with customers;
- our ability to develop new products, features, integrations, and enhancements for our solution;
- our ability to compete with existing and new competitors in existing and new markets and offerings;
- our and our customers' expectations regarding the benefits of our solution;
- our ability to successfully acquire and integrate companies and assets;
- our ability to maintain the security and availability of our solution and business systems;
- our expectations regarding the effects and enforcement of existing and developing laws and regulations, including with respect to taxation, privacy and data protection, and the outcomes of litigation that we may become subject to from time to time;
- our expectations regarding the effects of the Russia-Ukraine conflict, geopolitical tensions involving China, the COVID-19 pandemic, and similar macroeconomic events, including financial distress caused by recent or potential bank failures, global supply chain challenges, foreign currency fluctuations, elevated inflation and interest rates, and monetary policy changes, on our and our customers' and partners' respective businesses;
- our ability to successfully execute on strategic initiatives and manage risk associated with our business, including as we expand the scope of our business;
- our expectations regarding international expansion efforts;
- our expectations regarding our market opportunities and the evolution and growth of these markets and competition within these markets;
- our ability to develop and protect our brand;
- our expectations and management of future growth;
- our ability to hire, retain, and develop our employees;
- our expectations concerning relationships with third parties;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to achieve and maintain carbon neutrality; and
- our anticipated tax withholding and remittance obligations in connection with restricted stock unit settlements.

Samsara Inc. (the "Company," "Samsara," "our," or "we") cautions you that the foregoing list does not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations, estimates, forecasts, and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we cannot guarantee that the outcome, future results, levels of activity or growth, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. The outcome of the events described in the forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. Additionally, changes and volatility in political, economic, or industry conditions, the interest rate environment, or financial and capital markets could result in changes in demand for products or services. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

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

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

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q in conjunction with other documents that we file with the Securities and Exchange Commission ("SEC") and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this Quarterly Report on Form 10-Q by these cautionary statements.

Available Information

Our website address is located at samsara.com and our investor relations website is located at investors.samsara.com. We file electronically with the SEC our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange

Act. We make available on our website, free of charge, copies of these reports and other information as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We announce material information to the public about us, our products, and other matters through a variety of means, including filings with the SEC, press releases, public conference calls, webcasts, our investor relations website, our corporate website (www.samsara.com), and our corporate blog (www.samsara.com/blog) in order to achieve broad, non-exclusionary distribution of information to the public and to comply with our disclosure obligations under Regulation FD. Except as expressly set forth in this Quarterly Report on Form 10-Q, the contents of our websites are not incorporated by reference into, or otherwise to be regarded as part of, this report or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

The information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above and review the information disclosed through such channels.

RISK FACTOR SUMMARY

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," the section titled "Risk Factors," and our condensed consolidated financial statements and accompanying notes, before making a decision to invest in our Class A common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment. Accordingly, this summary should not be relied upon as an exhaustive summary of the risks facing our business. These risks include, but are not limited to, those listed below.

Risks Related to Our Business, Industry, and Operations

- We have a history of losses and may not be able to achieve or sustain profitability on a consistent basis or at all in the future.
- Our rapid growth makes it difficult to evaluate our future prospects and increases the risk that we will not continue to grow at or near historical rates.
- We have a history of losses and may not be able to achieve our profitability targets in the future.
- We face risks associated with the growth of our business in new use cases.
- If we are unable to attract new customers, our future revenue and results of operations will be harmed.
- If we are unable to retain and expand our relationships with existing customers, our financial position and results of operations will be harmed.
- We rely heavily on direct sales to sell subscriptions to access our Connected Operations Cloud.
- The length of our sales cycle can be unpredictable, particularly with respect to sales to large customers, and our sales efforts may require considerable time and expense.
- Our dependence on a limited number of joint design manufacturers and suppliers of manufacturing services and critical components within our supply chain for our Internet of Things ("IoT") devices may adversely affect our ability to sell subscriptions to our Connected Operations Cloud, our margins, and our results of operations.
- Managing the supply of our IoT devices is complex. Insufficient supply and inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our margins.
- If we fail to effectively manage our growth, our business and results of operations could be harmed.
- We face intense and increasing competition, and we may not be able to compete effectively, which could reduce demand for our solution and adversely affect our business, revenue growth, and market share.
- If we experience a security breach or incident affecting our customers' assets or data, our data or IoT devices, our Data Platform, or other systems, our Connected Operations Cloud may be perceived as not being secure or safe, our reputation may be harmed, and our business could be materially and adversely affected.
- Abuse or misuse of our internal platform controls and system tools could cause significant harm to our business and reputation.
- We may not be able to maintain and expand our business if we are not able to hire, retain, and manage qualified personnel, and in particular, our key personnel.
- A real or perceived defect, security vulnerability, error, or performance failure in our Connected Operations Cloud could cause us to lose revenue, damage our reputation, and expose us to liability, and our product liability insurance may not adequately protect us.
- We may be subject to product liability, warranty, and recall claims that may increase the costs of doing business and adversely affect our business, financial condition, and results of operations.

Risks Related to Our Intellectual Property

- Failure to identify and protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.
- There can be no assurance that our patents are enforceable or otherwise will be upheld as valid, or that our patent applications will be granted.

- We may become subject to additional intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

Risks Related to Government Regulation

- Federal and other governments and independent standards organizations have implemented and may implement in the future significant regulations or standards that could adversely affect our ability to produce, market, or market sell subscriptions to our products. solution.
- Reductions in regulation of our customers' physical operations may adversely impact demand for certain of our solutions solution by reducing the necessity for, or desirability of, certain of our solutions. Applications.
- Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose customers or otherwise harm our business.
- We are subject to stringent and changing laws, regulations, standards, and contractual obligations related to privacy, data protection, and data security. Any actual or perceived failure to comply with such obligations could harm our business.

Risks Related to Finance, Accounting, and Tax Matters

- Our results of operations and our business metrics have fluctuated and are likely to fluctuate significantly in future periods and may not fully reflect the underlying performance of our business, which makes our future results difficult to predict and could cause our results of operations to fall below expectations.
- If we are unable to achieve and sustain a level of liquidity sufficient to support our operations and fulfill our obligations, our business, financial condition, and results of operations could be adversely affected.
- We may require additional capital to fund our business and support our growth, and any inability to generate or obtain such capital may adversely affect our business and financial condition.

Risks Related to the Ownership of Our Class A Common Stock

- Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could cause the market price of our Class A common stock to decline.
- Our stock price may be volatile and may decline significantly and rapidly regardless of our operating performance, resulting in substantial losses for investors.

General Risk Factors

- Our business may be materially and adversely impacted by U.S. and global market, political, and economic conditions, including elevated inflation rates.
- Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate.
- Future litigation could have a material adverse impact on our results of operations and financial condition.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SAMSARA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

		As of			As of	
		April 29, 2023	**January 28, 2023**		**July 29, 2023**	**January 28, 2023**
Assets	**Assets**			**Assets**		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	$ 192,052	$ 200,670	Cash and cash equivalents	$ 196,037	$ 200,670
Short-term investments	Short-term investments	533,931	489,192	Short-term investments	528,766	489,192
Accounts receivable, net	Accounts receivable, net	102,564	122,867	Accounts receivable, net	115,422	122,867
Inventories	Inventories	32,403	40,571	Inventories	21,767	40,571
Connected device costs, current	Connected device costs, current	86,277	82,046	Connected device costs, current	94,061	82,046
Prepaid expenses and other current assets	Prepaid expenses and other current assets	23,324	22,189	Prepaid expenses and other current assets	21,902	22,189
Total current assets	Total current assets	970,551	957,535	Total current assets	977,955	957,535

Restricted cash	Restricted cash	24,296	23,096	Restricted cash	24,086	23,096
Long-term investments	Long-term investments	87,770	113,101	Long-term investments	109,723	113,101
Property and equipment, net	Property and equipment, net	58,695	59,278	Property and equipment, net	58,405	59,278
Operating lease right-of-use assets	Operating lease right-of-use assets	97,400	112,624	Operating lease right-of-use assets	92,683	112,624
Connected device costs, non-current	Connected device costs, non-current	200,327	194,852	Connected device costs, non-current	210,500	194,852
Deferred commissions	Deferred commissions	143,684	140,166	Deferred commissions	153,244	140,166
Other assets, non-current	Other assets, non-current	15,823	16,356	Other assets, non-current	16,036	16,356
Total assets	Total assets	$ 1,598,546	$ 1,617,008	Total assets	$ 1,642,632	$ 1,617,008
Liabilities and stockholders' equity	**Liabilities and stockholders' equity**			**Liabilities and stockholders' equity**		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	$ 29,239	$ 30,144	Accounts payable	$ 34,675	$ 30,144
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	55,718	53,824	Accrued expenses and other current liabilities	49,508	53,824
Accrued compensation and benefits	Accrued compensation and benefits	26,598	36,030	Accrued compensation and benefits	29,869	36,030
Deferred revenue, current	Deferred revenue, current	319,141	300,113	Deferred revenue, current	348,820	300,113
Operating lease liabilities, current	Operating lease liabilities, current	10,169	22,047	Operating lease liabilities, current	16,469	22,047
Total current liabilities	Total current liabilities	440,865	442,158	Total current liabilities	479,341	442,158
Deferred revenue, non-current	Deferred revenue, non-current	130,802	126,452	Deferred revenue, non-current	128,217	126,452
Operating lease liabilities, non-current	Operating lease liabilities, non-current	95,209	100,873	Operating lease liabilities, non-current	89,424	100,873
Other liabilities, non-current	Other liabilities, non-current	9,075	9,506	Other liabilities, non-current	9,283	9,506
Total liabilities	Total liabilities	675,951	678,989	Total liabilities	706,265	678,989
Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)			Commitments and contingencies (Note 9)		
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Preferred stock, $0.0001 par value—400,000,000 shares authorized as of April 29, 2023 and January 28, 2023; zero shares issued and outstanding as of April 29, 2023 and January 28, 2023		—	—			
Class A common stock, $0.0001 par value—4,000,000,000 shares authorized as of April 29, 2023 and January 28, 2023; 164,695,911 and 132,111,095 shares issued and outstanding as of April 29, 2023 and January 28, 2023, respectively		7	7			
Class B common stock, $0.0001 par value—600,000,000 shares authorized as of April 29, 2023 and January 28, 2023; 363,815,483 and 392,049,114 shares issued and outstanding as of April 29, 2023 and January 28, 2023, respectively		23	23			

Class C common stock, $0.0001 par value—1,200,000,000 shares authorized as of April 29, 2023 and January 28, 2023; zero shares issued and outstanding as of April 29, 2023 and January 28, 2023		—	—			
Preferred stock, $0.0001 par value—400,000,000 shares authorized as of July 29, 2023 and January 28, 2023; zero shares issued and outstanding as of July 29, 2023 and January 28, 2023				Preferred stock, $0.0001 par value—400,000,000 shares authorized as of July 29, 2023 and January 28, 2023; zero shares issued and outstanding as of July 29, 2023 and January 28, 2023	—	—
Class A common stock, $0.0001 par value—4,000,000,000 shares authorized as of July 29, 2023 and January 28, 2023; 176,254,788 and 132,111,095 shares issued and outstanding as of July 29, 2023 and January 28, 2023, respectively				Class A common stock, $0.0001 par value—4,000,000,000 shares authorized as of July 29, 2023 and January 28, 2023; 176,254,788 and 132,111,095 shares issued and outstanding as of July 29, 2023 and January 28, 2023, respectively	8	7
Class B common stock, $0.0001 par value—600,000,000 shares authorized as of July 29, 2023 and January 28, 2023; 358,662,609 and 392,049,114 shares issued and outstanding as of July 29, 2023 and January 28, 2023, respectively				Class B common stock, $0.0001 par value—600,000,000 shares authorized as of July 29, 2023 and January 28, 2023; 358,662,609 and 392,049,114 shares issued and outstanding as of July 29, 2023 and January 28, 2023, respectively	23	23
Class C common stock, $0.0001 par value—1,200,000,000 shares authorized as of July 29, 2023 and January 28, 2023; zero shares issued and outstanding as of July 29, 2023 and January 28, 2023				Class C common stock, $0.0001 par value—1,200,000,000 shares authorized as of July 29, 2023 and January 28, 2023; zero shares issued and outstanding as of July 29, 2023 and January 28, 2023	—	—
Additional paid-in capital	Additional paid-in capital	2,160,399	2,107,013	Additional paid-in capital	2,233,533	2,107,013
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(1,606)	(652)	Accumulated other comprehensive loss	(1,001)	(652)
Accumulated deficit	Accumulated deficit	(1,236,228)	(1,168,372)	Accumulated deficit	(1,296,196)	(1,168,372)
Total stockholders' equity	Total stockholders' equity	922,595	938,019	Total stockholders' equity	936,367	938,019
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 1,598,546	$ 1,617,008	Total liabilities and stockholders' equity	$ 1,642,632	$ 1,617,008

See accompanying notes to condensed consolidated financial statements.

SAMSARA INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except share and per share data)

(Unaudited)

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Revenue	Revenue	$ 204,320	$ 142,645	Revenue	$ 219,257	$ 153,523	$ 423,577	$ 296,168
Cost of revenue	Cost of revenue	57,557	39,618	Cost of revenue	58,866	44,257	116,423	83,875
Gross profit	Gross profit	146,763	103,027	Gross profit	160,391	109,266	307,154	212,293
Operating expenses	Operating expenses			Operating expenses				
Research and development	Research and development	60,366	40,985	Research and development	63,969	41,847	124,335	82,832
Sales and marketing	Sales and marketing	118,955	87,449	Sales and marketing	117,908	91,842	236,863	179,291
General and administrative	General and administrative	43,266	43,742	General and administrative	48,268	41,359	91,534	85,101
Lease modification, impairment, and related charges	Lease modification, impairment, and related charges	—	1,056	Lease modification, impairment, and related charges	—	—	—	1,056
Total operating expenses	Total operating expenses	222,587	173,232	Total operating expenses	230,145	175,048	452,732	348,280
Loss from operations	Loss from operations	(75,824)	(70,205)	Loss from operations	(69,754)	(65,782)	(145,578)	(135,987)
Interest income and other income (expense), net	Interest income and other income (expense), net	8,895	(60)	Interest income and other income (expense), net	10,220	1,541	19,115	1,481
Loss before provision for income taxes	Loss before provision for income taxes	(66,929)	(70,265)	Loss before provision for income taxes	(59,534)	(64,241)	(126,463)	(134,506)
Provision for income taxes	Provision for income taxes	927	723	Provision for income taxes	434	40	1,361	763
Net loss	Net loss	$ (67,856)	$ (70,988)	Net loss	$ (59,968)	$ (64,281)	$ (127,824)	$ (135,269)
Other comprehensive income (loss):	Other comprehensive income (loss):			Other comprehensive income (loss):				
Foreign currency translation adjustments	Foreign currency translation adjustments	(913)	178	Foreign currency translation adjustments	2,009	(77)	1,096	101
Unrealized gains (losses) on investments, net of tax	Unrealized gains (losses) on investments, net of tax	(41)	—	Unrealized gains (losses) on investments, net of tax	(1,404)	—	(1,445)	—
Other comprehensive income (loss)	Other comprehensive income (loss)	(954)	178	Other comprehensive income (loss)	605	(77)	(349)	101
Comprehensive loss	Comprehensive loss	$ (68,810)	$ (70,810)	Comprehensive loss	$ (59,363)	$ (64,358)	$ (128,173)	$ (135,168)
Basic and diluted net loss per share:	Basic and diluted net loss per share:			Basic and diluted net loss per share:				
Net loss per share attributable to common stockholders, basic and diluted	Net loss per share attributable to common stockholders, basic and diluted	$ (0.13)	$ (0.14)	Net loss per share attributable to common stockholders, basic and diluted	$ (0.11)	$ (0.13)	$ (0.24)	$ (0.27)

Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	526,403,398	507,295,982	531,751,683	511,758,439	529,077,540	509,526,709

See accompanying notes to condensed consolidated financial statements.

SAMSARA INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Three Months Ended April 29, 2023						
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Amount	Total Stockholders' Equity
	Shares	Amount					
Balance at January 28, 2023	524,160,209	$ 30	$2,107,013	$ (652)	$(1,168,372)		$ 938,019
Issuance of common stock for vesting of restricted stock units ("RSUs")	4,115,374	—	—	—	—		—
Issuance of common stock in connection with equity compensation plans	235,811	—	115	—	—		115
Vesting of early exercised stock options	—	—	25	—	—		25
Stock-based compensation expense	—	—	53,246	—	—		53,246
Other comprehensive loss	—	—	—	(954)	—		(954)
Net loss	—	—	—	—	(67,856)		(67,856)
Balance at April 29, 2023	528,511,394	$ 30	$2,160,399	$ (1,606)	$(1,236,228)		$ 922,595

	Three			
	Common Stock	Total Stockholders' Equity	Additional Paid-In Capital	
Balance at April 29, 2023				52
Issuance of common stock for vesting of restricted stock units ("RSUs")	5,130,041	1	—	
Issuance of common stock in connection with equity compensation plans	1,275,962	—	13,011	
Stock-based compensation expense	—	—	60,123	
Other comprehensive income				
Net loss	—	—	—	
Balance at July 29, 2023				53

	Three Months Ended April 30, 2022					Three	
	Common Stock	Additional	Accumulated	Accumulated	Total	Common Stock	Additional Paid-In

		Shares	Amount	Paid-In Capital	Other Comprehensive Income (Loss)	Deficit	Amount	Stockholders' Equity
Balance at January 29, 2022		505,476,160	$ 29	$1,909,964	$ (96)	$ (920,950)		$ 988,947
Balance at April 30, 2022								
Issuance of common stock for vesting of RSUs	Issuance of common stock for vesting of RSUs	2,656,302	—	—	—	—		—
Issuance of common stock in connection with equity compensation plans	Issuance of common stock in connection with equity compensation plans	891,546	—	249	—	—		249
Vesting of early exercised stock options	Vesting of early exercised stock options	—	—	102	—	—		102
Repurchase of restricted common stock		(438)	—	—	—	—		—
Stock-based compensation expense	Stock-based compensation expense	—	—	43,928	—	—		43,928
Other comprehensive income		—	—	—	178	—		178
Other comprehensive loss								
Net loss	Net loss	—	—	—	—	(70,988)		(70,988)
Balance at April 30, 2022		509,023,570	$ 29	$1,954,243	$ 82	$ (991,938)		$ 962,416
Balance at July 30, 2022								

	Total Stockholders' Equity			Capital
			Balance at April 30, 2022	50
Issuance of common stock for vesting of RSUs	3,835,453	—	—	
Issuance of common stock in connection with equity compensation plans	1,507,247	—	10,463	
Vesting of early exercised stock options	—	—	76	
Stock-based compensation expense	—	—	44,541	
			Other comprehensive loss	
Net loss	—	—	—	
			Balance at July 30, 2022	5

SAMSARA INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY—CONTINUED

(In thousands, except share data)

(Unaudited)

	Six Months Ended July 29, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 28, 2023	524,160,209	$ 30	$ 2,107,013	$ (652)	$ (1,168,372)	$ 938,019
Issuance of common stock for vesting of RSUs	9,245,415	1	—	—	—	1
Issuance of common stock in connection with equity compensation plans	1,511,773	—	13,126	—	—	13,126
Vesting of early exercised stock options	—	—	25	—	—	25
Stock-based compensation expense	—	—	113,369	—	—	113,369
Other comprehensive loss	—	—	—	(349)	—	(349)

	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Net loss	—	—	—	—	(127,824)	(127,824)
Balance at July 29, 2023	534,917,397	$ 31	$ 2,233,533	$ (1,001)	$ (1,296,196)	$ 936,367

	Six Months Ended July 30, 2022					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at January 29, 2022	505,476,160	$ 29	$ 1,909,964	$ (96)	$ (920,950)	$ 988,947
Issuance of common stock for vesting of RSUs	6,491,755	—	—	—	—	—
Issuance of common stock in connection with equity compensation plans	2,398,793	—	10,712	—	—	10,712
Vesting of early exercised stock options	—	—	178	—	—	178
Repurchase of restricted common stock	(438)	—	—	—	—	—
Stock-based compensation expense	—	—	88,469	—	—	88,469
Other comprehensive income	—	—	—	101	—	101
Net loss	—	—	—	—	(135,269)	(135,269)
Balance at July 30, 2022	514,366,270	$ 29	$ 2,009,323	$ 5	$ (1,056,219)	$ 953,138

See accompanying notes to condensed consolidated financial statements.

SAMSARA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

		Three Months Ended			Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022
Operating activities	**Operating activities**			**Operating activities**		
Net loss	Net loss	$ (67,856)	$ (70,988)	Net loss	$ (127,824)	$ (135,269)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	Depreciation and amortization	3,484	2,360	Depreciation and amortization	7,193	5,005
Stock-based compensation expense	Stock-based compensation expense	52,948	43,612	Stock-based compensation expense	112,604	87,952
Lease modification, impairment, and related charges	Lease modification, impairment, and related charges	—	1,056	Lease modification, impairment, and related charges	—	1,056
Other non-cash adjustments	Other non-cash adjustments	(6,163)	2,117	Other non-cash adjustments	(8,514)	2,882
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Accounts receivable, net	Accounts receivable, net	20,822	(4,790)	Accounts receivable, net	6,767	1,637
Inventories	Inventories	8,168	(8,925)	Inventories	18,803	(5,988)

Prepaid expenses and other current assets	Prepaid expenses and other current assets	(1,179)	(2,996)	Prepaid expenses and other current assets	243		(2,912)	
Connected device costs	Connected device costs	(9,707)	(16,312)	Connected device costs	(27,664)		(36,714)	
Deferred commissions	Deferred commissions	(3,518)	(2,258)	Deferred commissions	(13,078)		(6,333)	
Other assets, non-current	Other assets, non-current	533	2,992	Other assets, non-current	371		70	
Accounts payable and other liabilities	Accounts payable and other liabilities	(8,511)	(10,232)	Accounts payable and other liabilities	(5,249)		(37,218)	
Deferred revenue	Deferred revenue	23,377	16,172	Deferred revenue	50,471		40,884	
Operating lease right-of-use assets and liabilities, net	Operating lease right-of-use assets and liabilities, net	(1,944)	(590)	Operating lease right-of-use assets and liabilities, net	4,051		(812)	
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	10,454	(48,782)	Net cash provided by (used in) operating activities	18,174		(85,760)	
Investing activities	**Investing activities**			**Investing activities**				
Purchase of property and equipment	Purchase of property and equipment	(2,499)	(10,668)	Purchase of property and equipment	(5,503)		(16,930)	
Purchases of investments	Purchases of investments	(192,389)	—	Purchases of investments	(374,389)		—	
Proceeds from sales of investments						Proceeds from sales of investments	4,474	—
Proceeds from maturities and redemptions of investments	Proceeds from maturities and redemptions of investments	177,159	—	Proceeds from maturities and redemptions of investments	340,878		—	
Other investing activities						Other investing activities	(50)	—
Net cash used in investing activities	Net cash used in investing activities	(17,729)	(10,668)	Net cash used in investing activities	(34,590)		(16,930)	
Financing activities	**Financing activities**			**Financing activities**				
Proceeds from issuance of common stock in connection with equity compensation plans	Proceeds from issuance of common stock in connection with equity compensation plans	159	249	Proceeds from issuance of common stock in connection with equity compensation plans	13,170		10,704	
Payment of offering costs	Payment of offering costs	—	(1,742)	Payment of offering costs	—		(2,208)	
Payment of principal on finance leases	Payment of principal on finance leases	(448)	(241)	Payment of principal on finance leases	(915)		(487)	
Net cash used in financing activities		(289)	(1,734)					

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Net cash provided by financing activities									Net cash provided by financing activities		12,255		8,009
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash		146		(191)	Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash		518			(396)		
Net decrease in cash, cash equivalents, and restricted cash	Net decrease in cash, cash equivalents, and restricted cash		(7,418)		(61,375)	Net decrease in cash, cash equivalents, and restricted cash		(3,643)			(95,077)		
Cash, cash equivalents, and restricted cash, beginning of period	Cash, cash equivalents, and restricted cash, beginning of period		223,766		944,310	Cash, cash equivalents, and restricted cash, beginning of period		223,766			944,310		
Cash, cash equivalents, and restricted cash, end of period	Cash, cash equivalents, and restricted cash, end of period	$	216,348	$	882,935	Cash, cash equivalents, and restricted cash, end of period	$	220,123		$	849,233		
Supplemental disclosure of cash flow information:	**Supplemental disclosure of cash flow information:**					**Supplemental disclosure of cash flow information:**							
Cash paid for income taxes		$	104	$	79								
Cash paid for income taxes, net of refunds									Cash paid for income taxes, net of refunds	$	586	$	178
Supplemental disclosures of non-cash investing and financing activities:	**Supplemental disclosures of non-cash investing and financing activities:**					**Supplemental disclosures of non-cash investing and financing activities:**							
Property and equipment accrued but not yet paid	Property and equipment accrued but not yet paid	$	227	$	5,707	Property and equipment accrued but not yet paid	$	135		$	7,748		
Unpaid offering costs	Unpaid offering costs	$	—	$	790	Unpaid offering costs	$	—		$	324		
Vesting of early exercised stock options	Vesting of early exercised stock options	$	25	$	102	Vesting of early exercised stock options	$	25		$	178		

See accompanying notes to condensed consolidated financial statements.

SAMSARA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Samsara Inc. ("Samsara") and its subsidiaries (collectively, the "Company") are the pioneers of the Connected Operations Cloud, which is a system of record that enables businesses that depend on physical operations to harness Internet of Things ("IoT") data to develop actionable business insights and improve their operations. Samsara was incorporated in Delaware in 2015 as Samsara Networks Inc. and changed its name to Samsara Inc. in February 2021. Samsara's principal executive offices are located at 1 De Haro Street, San Francisco, California 94107.

2. Summary of Significant Accounting Policies

Basis of Presentation and Fiscal Year—The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with GAAP. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2023, which was filed with the SEC on March 21, 2023.

In management's opinion, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the Company's financial position as of April 29, 2023 July 29, 2023 and the results of operations for the three and six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, and cash flows for the three six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022. The condensed consolidated balance sheet as of January 28, 2023 was derived from the audited financial statements but does not include all disclosures required by GAAP. The results of operations for the three and six months ended April 29, 2023 July 29, 2023 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

The Company's fiscal year is a 52- or 53-week period ending on the Saturday closest to February 1. Every sixth fiscal year is a 53-week year. Fiscal year 2024 consists of 53 weeks, with the fourth quarter consisting of 14 weeks, and fiscal year 2023 consisted of 52 weeks.

Principles of Consolidation—The condensed consolidated financial statements include the accounts of Samsara and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates—The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such management estimates include, but are not limited to, the fair value of stock-based awards, internal-use software development costs, sales return reserve, accrued liabilities and contingencies, depreciation and amortization periods, lease modification, impairment, and related charges, and accounting for income taxes. Actual results could materially differ from the estimates and assumptions made.

Significant Accounting Policies—Notwithstanding the addition of policies described below as a result of a recently adopted accounting pronouncement, there were no material changes to the Company's significant accounting policies during the three six months ended April 29, 2023 July 29, 2023.

Accounts Receivable—Accounts receivable consist of current trade receivables from customers, net of allowance for credit losses. The allowance for credit losses is estimated based on the Company's assessment of the collectibility of accounts receivable by considering various factors, including customer creditworthiness and the related aging of past-due balances, historical write-off experience, current economic conditions, and reasonable and supportable forecasts of future economic conditions over the life of the receivable. Management evaluates customer accounts periodically, and accounts receivable deemed uncollectible are charged against the allowance for credit losses when identified. An allowance for credit losses balance of $6.1 million $6.2 million was recorded as of April 29, 2023 July 29, 2023. During the three and six months ended April 29, 2023 July 29, 2023, the Company recorded a benefit charge of $0.5 million $1.2 million and $0.7 million, respectively, to operations and wrote off $0.9 million $1.0 million and $2.0 million, respectively, against the allowance.

Investments—The Company's investments in marketable debt securities have been classified and accounted for as available-for-sale and are recorded at estimated fair value. Credit losses relating to available-for-sale marketable debt securities are recorded through an allowance for credit losses with a corresponding charge in "Interest income and other income (expense), net" on the condensed consolidated statements of operations and comprehensive loss. When identifying and measuring impairment, the Company excludes the applicable accrued interest from both the fair value and amortized cost basis.

Recently Adopted Accounting Pronouncement—In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, with further clarifications made in subsequent amendments. This standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. For trade receivables and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available-for-sale marketable debt securities are required to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. This guidance is effective for the Company for its fiscal year beginning January 29, 2023 and interim periods within that fiscal year. The Company adopted this guidance effective January 29, 2023 and the adoption did not result in a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted—The Company has reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a material impact on the Company's condensed consolidated financial statements.

3. Cash, Cash Equivalents, Restricted Cash, and Investments

As of April 29, 2023 July 29, 2023 and January 28, 2023, cash and cash equivalents consist of cash deposited with banks and money market funds, and all highly liquid investments with an original or remaining maturity of 90 days or less when purchased. As of April 29, 2023 July 29, 2023 and January 28, 2023, short-term and long-term investments in marketable debt securities consist of U.S. government and agency securities, corporate notes and bonds, and commercial paper.

Restricted cash as of April 29, 2023 July 29, 2023 and January 28, 2023 consists of letters of credit secured as collateral on the Company's office space leases. Total cash, cash equivalents, and restricted cash consist of the following (in thousands):

	As of	As of

		April 29, 2023	January 28, 2023		July 29, 2023	January 28, 2023
Cash and cash equivalents	Cash and cash equivalents	$ 192,052	$ 200,670	Cash and cash equivalents	$ 196,037	$ 200,670
Restricted cash	Restricted cash	24,296	23,096	Restricted cash	24,086	23,096
Total cash, cash equivalents, and restricted cash	Total cash, cash equivalents, and restricted cash	$ 216,348	$ 223,766	Total cash, cash equivalents, and restricted cash	$ 220,123	$ 223,766

The following is a summary of the Company's cash equivalents and available-for-sale marketable debt securities recorded within short-term and long-term investments on the condensed consolidated balance sheets (in thousands):

		As of					As of			
		April 29, 2023					July 29, 2023			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash equivalents:	**Cash equivalents:**					**Cash equivalents:**				
Money market funds	Money market funds	$ 10,610	$ —	$ —	$ 10,610	Money market funds	$ 6,164	$ —	$ —	$ 6,164
Commercial paper	Commercial paper	31,719	—	—	31,719	Commercial paper	23,130	—	—	23,130
U.S. government and agency securities						U.S. government and agency securities	2,000	—	—	2,000
Total cash equivalents	Total cash equivalents	$ 42,329	$ —	$ —	$ 42,329	Total cash equivalents	$ 31,294	$ —	$ —	$ 31,294
Investments:	**Investments:**					**Investments:**				
Commercial paper	Commercial paper	$ 129,215	$ 3	$ —	$ 129,218	Commercial paper	$ 111,213	$ —	$ —	$ 111,213
Corporate notes and bonds	Corporate notes and bonds	194,048	72	(472)	193,648	Corporate notes and bonds	204,958	11	(948)	204,021
U.S. government and agency securities	U.S. government and agency securities	299,543	43	(751)	298,835	U.S. government and agency securities	324,828	9	(1,582)	323,255
Total investments	Total investments	$ 622,806	$ 118	$ (1,223)	$ 621,701	Total investments	$ 640,999	$ 20	$ (2,530)	$ 638,489

	As of			
	January 28, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash equivalents:				
Money market funds	$ 5,604	$ —	$ —	$ 5,604
Commercial paper	36,337	—	—	36,337
U.S. government and agency securities	12,974	—	(1)	12,973
Total cash equivalents	$ 54,915	$ —	$ (1)	$ 54,914
Investments:				
Commercial paper	$ 182,869	$ —	$ —	$ 182,869
Corporate notes and bonds	190,933	57	(437)	190,553
U.S. government and agency securities	229,556	8	(693)	228,871
Total investments	$ 603,358	$ 65	$ (1,130)	$ 602,293

The Company included $2.6 million $3.2 million and $2.0 million of accrued interest receivable, net of the allowance for credit losses (if any), in "Prepaid expenses and other current assets" on the condensed consolidated balance sheets as of April 29, 2023 July 29, 2023 and January 28, 2023, respectively.

For available-for-sale marketable debt securities with unrealized loss positions, the Company does not intend to sell any of the securities and the Company considers it more likely than not that the Company will hold these securities until a recovery of the cost basis, which may not occur until maturity. The Company did not recognize an allowance for credit losses on these securities as of April 29, 2023 July 29, 2023 because such potential losses were not material.

As of April 29, 2023 July 29, 2023, the contractual maturities of the Company's investments did not exceed 24 23 months. The estimated fair values of available-for-sale marketable debt securities, by remaining contractual maturity, are as follows (in thousands):

	As of April July 29, 2023
Due within one year	$ 533,931 528,766
Due in one year to two years	87,770 109,723
Total	$ 621,701 638,489

There were no material realized gains or losses that were reclassified out of accumulated other comprehensive loss either individually or in the aggregate, during the three and six months ended April 29, 2023 July 29, 2023. There were no material unrealized gains or losses, either individually or in the aggregate, as of April 29, 2023 July 29, 2023 and January 28, 2023.

Concentrations of Credit Risk—The Company maintains its investments in marketable debt securities with high-quality financial institutions with investment-grade ratings.

4. Fair Value Measurements

The Company reports all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the condensed consolidated financial statements on a recurring basis. The authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

Level 2—Observable inputs other than quoted prices in active markets for identical 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 assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The condensed consolidated financial statements as of April 29, 2023 July 29, 2023 and January 28, 2023 do not include any nonrecurring fair value measurements relating to assets or liabilities.

The following tables present the fair value hierarchy for the Company's assets measured at fair value on a recurring basis as of the periods presented (in thousands):

		As of April 29, 2023					As of July 29, 2023			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Cash equivalents and restricted cash:	**Cash equivalents and restricted cash:**					**Cash equivalents and restricted cash:**				
Cash equivalents	Cash equivalents					Cash equivalents				
Money market funds	Money market funds	$ 135,551	$ —	$ —	$ 135,551	Money market funds	$ 141,931	$ —	$ —	$ 141,931
Commercial paper	Commercial paper	—	31,719	—	31,719	Commercial paper	—	23,130	—	23,130
U.S. government and agency securities						U.S. government and agency securities	—	2,000	—	2,000

Restricted cash—letters of credit	Restricted cash—letters of credit	23,587	—	—	23,587	Restricted cash—letters of credit	23,036	—	—	23,036
Total cash equivalents and restricted cash	Total cash equivalents and restricted cash	$ 159,138	$ 31,719	$ —	$ 190,857	Total cash equivalents and restricted cash	$ 164,967	$ 25,130	$ —	$ 190,097
Marketable debt securities:	**Marketable debt securities:**					**Marketable debt securities:**				
Commercial paper	Commercial paper	$ —	$ 129,218	$ —	$ 129,218	Commercial paper	$ —	$ 111,213	$ —	$ 111,213
Corporate notes and bonds	Corporate notes and bonds	—	193,648	—	193,648	Corporate notes and bonds	—	204,021	—	204,021
U.S. government and agency securities	U.S. government and agency securities	—	298,835	—	298,835	U.S. government and agency securities	—	323,255	—	323,255
Total marketable debt securities	Total marketable debt securities	$ —	$ 621,701	$ —	$ 621,701	Total marketable debt securities	$ —	$ 638,489	$ —	$ 638,489

	As of January 28, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents and restricted cash:				
Cash equivalents				
Money market funds	$ 120,751	$ —	$ —	$ 120,751
Commercial paper	—	36,337	—	36,337
U.S. government and agency securities	—	12,973	—	12,973
Restricted cash—letters of credit	23,096	—	—	23,096
Total cash equivalents and restricted cash	$ 143,847	$ 49,310	$ —	$ 193,157
Marketable debt securities:				
Commercial paper	$ —	$ 182,869	$ —	$ 182,869
Corporate notes and bonds	—	190,553	—	190,553
U.S. government and agency securities	—	228,871	—	228,871
Total marketable debt securities	$ —	$ 602,293	$ —	$ 602,293

The Company determines the fair value of its security holdings based on pricing from the Company's service providers and market prices from industry-standard independent data providers. Such market prices may be quoted prices in active markets for identical assets (Level 1 inputs) or pricing determined using inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs), such as yield curve, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments or debt, broker and dealer quotes, as well as other relevant economic measures.

There were no transfers between Level 1 or Level 2, or transfers in or out of Level 3, of the fair value hierarchy during the three six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022.

5. Costs to Obtain and Fulfill a Contract

Deferred Commissions—Total deferred commissions as of April 29, 2023 July 29, 2023 and January 28, 2023 were $143.7 million $153.2 million and $140.2 million, respectively.

The following table provides the amounts capitalized and amortized for the Company's commission costs for the periods presented (in thousands):

	Three Months Ended		Three Months Ended		Six Months Ended	
	April 29, 2023	**April 30, 2022**	**July 29, 2023**	**July 30, 2022**	**July 29, 2023**	**July 30, 2022**

Capitalized commission costs	Capitalized commission costs	$ 16,987	$ 14,437	Capitalized commission costs	$ 22,502	$ 16,406	$ 39,489	$ 30,842
Amortization expense	Amortization expense	$ 13,469	$ 12,179	Amortization expense	$ 12,942	$ 12,331	$ 26,411	$ 24,510

Connected Devices—Total connected device costs, which the Company also refers to as IoT device costs, current and non-current, as of April 29, 2023 July 29, 2023 and January 28, 2023 were $286.6 million $304.6 million and $276.9 million, respectively.

The following table provides the amounts capitalized and amortized for the Company's connected device costs for the periods presented (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Capitalized connected device costs	Capitalized connected device costs	$ 30,575	$ 30,033	Capitalized connected device costs	$ 40,655	$ 35,737	$ 71,230	$ 65,770
Amortization expense	Amortization expense	$ 20,869	$ 13,720	Amortization expense	$ 22,698	$ 15,251	$ 43,567	$ 28,972

6. Property and Equipment, Net

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

		As of			As of	
		April 29, 2023	January 28, 2023		July 29, 2023	January 28, 2023
Gross property and equipment	Gross property and equipment			Gross property and equipment		
Computers and equipment	Computers and equipment	$ 1,414	$ 1,257	Computers and equipment	$ 1,446	$ 1,257
Leasehold improvements	Leasehold improvements	50,227	49,727	Leasehold improvements	50,312	49,727
Furniture and fixtures	Furniture and fixtures	20,069	19,740	Furniture and fixtures	20,629	19,740
Internal-use software development costs (1)	Internal-use software development costs (1)	24,527	22,422	Internal-use software development costs (1)	27,536	22,422
Total gross property and equipment	Total gross property and equipment	96,237	93,146	Total gross property and equipment	99,923	93,146
Accumulated depreciation and amortization (2)	Accumulated depreciation and amortization (2)	(37,542)	(33,868)	Accumulated depreciation and amortization (2)	(41,518)	(33,868)
Property and equipment, net	Property and equipment, net	$ 58,695	$ 59,278	Property and equipment, net	$ 58,405	$ 59,278

(1) The Company's internal-use software development costs included $0.5 million $0.7 million and $0.4 million $1.2 million of stock-based compensation costs for the three and six months ended April 29, 2023 July 29, 2023, respectively, and April 30, 2022 $0.3 million and $0.6 million of stock-based compensation costs for the three and six months ended July 30, 2022, respectively. The following table provides the amounts capitalized and amortized for the Company's internal-use software development costs for the periods presented (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Capitalized internal-use software development costs	Capitalized internal-use software development costs	$ 2,105	$ 1,389	Capitalized internal-use software development costs	$ 3,009	$ 1,161	$ 5,114	$ 2,551
Amortization expense	Amortization expense	$ 1,016	$ 973	Amortization expense	$ 1,158	$ 1,004	$ 2,174	$ 1,977

Internal-use software development costs, net, as of the periods presented was as follows (in thousands):

	As of	
	April 29, 2023	January 28, 2023
Internal-use software development costs, net	$ 9,643	$ 8,744

	As of	
	July 29, 2023	January 28, 2023
Internal-use software development costs, net	$ 11,227	$ 8,744

(2) The following table presents the depreciation and amortization of property and equipment included on the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended	
	April 29, 2023	April 30, 2022
Depreciation and amortization expense	$ 3,484	$ 2,360

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Depreciation and amortization expense	$ 3,709	$ 2,645	$ 7,193	$ 5,005

7. Leases

The Company leases office space under operating lease agreements that are non-cancelable (subject to limited termination rights). These leases have remaining lease terms ranging from one year to approximately eight years. The Company is required to pay property taxes, insurance, and normal maintenance costs for certain of these facilities and will be required to pay any increases over the base year of these expenses on the remainder of the Company's facilities.

The components of operating lease expense were as follows (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Operating lease cost	Operating lease cost	$ 6,275	$ 6,439	Operating lease cost	$ 6,015	$ 6,324	$ 12,290	$ 12,763
Short-term lease cost	Short-term lease cost	364	177	Short-term lease cost	382	138	747	315
Sublease income	Sublease income	(254)	(177)	Sublease income	(184)	(210)	(438)	(387)
Total lease cost	Total lease cost	$ 6,385	$ 6,439	Total lease cost	$ 6,213	$ 6,252	$ 12,599	$ 12,691

Supplemental information related to operating leases was as follows (in thousands, except for weighted-average data):

	Three Months Ended	
	April 29, 2023	April 30, 2022
Cash paid for amounts in the measurement of operating lease liabilities—operating cash flows	$ 6,649	$ 6,590

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Cash paid for amounts in the measurement of operating lease liabilities—operating cash flows	$ 6,778	$ 6,701	$ 13,427	$ 13,291

During the three six months ended April 29, 2023 July 29, 2023, the Company recorded no additional operating lease liabilities arising from obtaining right-of-use ("ROU") assets.

As of	As of

		April 29, 2023	January 28, 2023		July 29, 2023	January 28, 2023
Weighted-average remaining lease term—operating leases (in years)	Weighted-average remaining lease term—operating leases (in years)	6.3	6.5	Weighted-average remaining lease term—operating leases (in years)	6.2	6.5
Weighted-average discount rate—operating leases	Weighted-average discount rate—operating leases	4.58 %	4.53 %	Weighted-average discount rate—operating leases	4.63 %	4.53 %

Future minimum lease payments included in the measurement of operating lease liabilities as of April 29, 2023 July 29, 2023 were as follows (in thousands):

Fiscal Years Ending	Fiscal Years Ending	Amount	Fiscal Years Ending	Amount
Remainder of 2024	Remainder of 2024	$ 20,392	Remainder of 2024	$ 13,657
2025	2025	27,055	2025	27,115
2026	2026	20,083	2026	20,123
2027	2027	14,236	2027	14,236
2028	2028	12,596	2028	12,596
2029 and thereafter	2029 and thereafter	43,659	2029 and thereafter	43,664
Total future minimum lease payments (1)	Total future minimum lease payments (1)	138,021	Total future minimum lease payments (1)	131,391
Less: imputed interest	Less: imputed interest	(20,381)	Less: imputed interest	(19,105)
Total operating lease liabilities	Total operating lease liabilities	$ 117,640	Total operating lease liabilities	$ 112,286

(1) The contractual commitment amounts under operating leases in the table above are primarily related to facility leases for the Company's corporate office facilities in San Francisco, California, as well as other offices for the Company's local operations. The table above does not reflect obligations under contracts that the Company can cancel without a significant penalty, the Company's option to exercise early termination rights, or the payment of related early termination fees.

On April 12, 2023, the Company settled a lease dispute, existing as of January 28, 2023 which was primarily related to lease incentives associated with leasehold improvements in the form of a tenant allowance and received $11.3 million. This amount was recognized primarily as a reduction to the corresponding ROU assets on the Company's condensed consolidated balance sheet and was also included in "Operating lease liabilities, net" on the Company's condensed consolidated statement of cash flows. This claim is unrelated to the claim discussed under the caption "*Lease-Related Litigation*" in Note 9, "Commitments and Contingencies."

In addition to its operating leases, the Company has entered into non-cancelable finance leases for equipment beginning in 2020. The balances for finance leases were recorded in "Other assets, non-current," "Accrued expenses and other current liabilities," and "Other liabilities, non-current" as the amounts were immaterial as of April 29, 2023 July 29, 2023 and January 28, 2023.

8. Revenue, Deferred Revenue, and Remaining Performance Obligations

Revenue Recognition—Subscription revenue is generated from subscriptions to access the Company's Connected Operations Cloud. Subscription agreements contain multiple service elements for one or more of the Company's cloud-based Applications via mobile app(s) or a website that enable data collection and provide access to the cellular network, generally one or more wireless gateways, cameras, sensors and other devices (collectively, "connected devices" or "IoT devices"), support services delivered over the term of the arrangement and warranty coverage. The Company's Connected Operations Cloud and the related connected device access points are highly interdependent and interrelated, and represent a combined performance obligation, which is recognized over the related subscription period.

Other revenue is generally recognized at a point in time and is earned through the sale of replacement gateways, sensors and cameras, as well as related shipping and handling fees, credit card processing fees, and professional services.

Revenue consists of the following (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Subscription revenue	Subscription revenue	$ 199,484	$ 140,727	Subscription revenue	$ 215,179	$ 151,704	$ 414,663	$ 292,431
Other revenue	Other revenue	4,836	1,918	Other revenue	4,078	1,819	8,914	3,737
Total revenue	Total revenue	$ 204,320	$ 142,645	Total revenue	$ 219,257	$ 153,523	$ 423,577	$ 296,168

Deferred Revenue—The following table provides the deferred revenue balances and revenue recognized from beginning deferred revenue balances for the periods presented (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Deferred revenue, beginning of period	Deferred revenue, beginning of period	$ 426,565	$ 313,686	Deferred revenue, beginning of period	$ 449,943	$ 329,858	$ 426,565	$ 313,686
Deferred revenue, end of period	Deferred revenue, end of period	449,943	329,858	Deferred revenue, end of period	477,037	354,570	477,037	354,570
Revenue recognized in the period from beginning deferred revenue balance	Revenue recognized in the period from beginning deferred revenue balance	183,930	134,518	Revenue recognized in the period from beginning deferred revenue balance	195,160	144,061	232,793	165,668

Remaining Performance Obligations ("RPO")—RPO represents the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue in future periods.

As of April 29, 2023 July 29, 2023, the Company's RPO was $1,515.4 million. The $1,636.7 million, of which the Company expects to recognize revenue of approximately $741.5 million $791.7 million over the next 12 months, with the remaining balance to be recognized thereafter.

Concentrations of Significant Customers and Credit Risk—No customer accounted for greater than 10% of the Company's total revenue for the three and six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022.

There were no customers that individually represented greater than 10% of the Company's accounts receivable as of April 29, 2023 July 29, 2023 and January 28, 2023.

9. Commitments and Contingencies

Operating Leases—See Note 7, "Leases," for the maturities of operating lease liabilities as of April 29, 2023 July 29, 2023.

Purchase Commitments—The Company's purchase commitments consist of contractual arrangements with software-as-a-service subscription providers and non-cancelable purchase orders based on current inventory needs fulfilled by the Company's suppliers and contract manufacturers. There were no material contractual obligations that were entered into by the Company during the three six months ended April 29, 2023 July 29, 2023 that were outside of the ordinary course of business.

Letters of Credit—As of April 29, 2023 July 29, 2023 and January 28, 2023, the Company had $23.6 million $23.0 million and $23.1 million, respectively, in letters of credit outstanding primarily in favor of certain landlords for office space. These letters of credit renew annually and expire on various dates through 2031.

Litigation—From time to time, the Company has been and may become involved in various legal proceedings in the ordinary course of its business and has been and may be subject to third-party intellectual property infringement claims.

The Company continually evaluates uncertainties associated with litigation and records a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the condensed consolidated financial statements indicates that it is probable that a liability has been incurred at the date of the condensed consolidated financial statements and (ii) the loss or range of loss can be reasonably estimated. If the Company determines that a loss is possible and a range of the loss can be reasonably estimated, the Company will disclose the range of the possible loss. The Company evaluates developments in legal matters that could affect the amount of liability that has been previously accrued, if any, and the matters and related ranges of possible losses disclosed and makes adjustments and changes to the disclosures, as appropriate. Significant judgment is required to determine both likelihood of there being, and the estimated amount of, a loss related to such matters. Until the final resolution of such matters, there may be an exposure to loss, and such amounts could be material. For legal proceedings for which there is a reasonable possibility of loss (meaning those losses for which the likelihood is more than remote but less than probable), the Company has determined there is no material exposure on an aggregate basis. The amounts recorded for losses deemed probable as of April 29, 2023 July 29, 2023 were also not material.

Lease-Related Litigation—In March 2019, the Company signed a lease agreement with a landlord for certain premises located in San Francisco, California (the "Premises"). In September 2021, the Company sued the landlord in San Francisco Superior Court to enforce its right to terminate the lease and to recover damages on the grounds that the Premises were never adequately delivered to the Company. The landlord countersued the Company for allegedly breaching the lease. On October 30, 2021, the Company vacated the Premises. On November 17, 2021, the landlord drew down the remaining $8.7 million letter of credit, which the Company accounts for as a receivable in "Other assets, non-current." The outcome of this matter is subject to ongoing litigation and is uncertain at this time.

Indemnification—In the normal course of business, the Company has agreed and may continue to agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, claims that the Company's products infringe the intellectual property rights of other parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim.

10. Equity

As of April 29, 2023July 29, 2023, there were 164,695,911, 363,815,483,176,254,788, 358,662,609, and no shares of Class A, Class B, and Class C common stock issued and outstanding, respectively. As of January 28, 2023, there were 132,111,095, 392,049,114, and no shares of Class A, Class B, and Class C common stock issued and outstanding, respectively.

The Company had reserved shares of common stock for future issuance as of April 29, 2023July 29, 2023 and January 28, 2023, as follows:

		As of			As of	
		April 29, 2023	January 28, 2023		July 29, 2023	January 28, 2023
2015 Equity Incentive Plan:	2015 Equity Incentive Plan:			2015 Equity Incentive Plan:		
Options outstanding	Options outstanding	6,696,729	6,927,540	Options outstanding	6,573,583	6,927,540
RSUs outstanding	RSUs outstanding	12,885,611	15,137,385	RSUs outstanding	10,740,334	15,137,385
2021 Equity Incentive Plan:	2021 Equity Incentive Plan:			2021 Equity Incentive Plan:		
RSUs outstanding	RSUs outstanding	36,933,581	25,658,719	RSUs outstanding	35,610,877	25,658,719
Shares available for future grants	Shares available for future grants	67,529,817	55,891,021	Shares available for future grants	67,304,926	55,891,021
2021 Employee Stock Purchase Plan:	2021 Employee Stock Purchase Plan:			2021 Employee Stock Purchase Plan:		
Shares available for future issuance	Shares available for future issuance	18,713,371	13,471,769	Shares available for future issuance	17,560,555	13,471,769
Total shares of common stock reserved for future issuance	Total shares of common stock reserved for future issuance	142,759,109	117,086,434	Total shares of common stock reserved for future issuance	137,790,275	117,086,434

Employee Compensation Plans

The Company currently has two equity incentive plans, the 2015 Equity Incentive Plan (the "2015 Plan") and the 2021 Equity Incentive Plan (the "2021 Plan"). The 2015 Plan was terminated in connection with the adoption of the 2021 Plan in December 2021 but continues to govern the terms of outstanding stock options and RSUs that were granted prior to the termination of the 2015 Plan. The Company no longer grants equity awards pursuant to the 2015 Plan.

2021 Equity Incentive Plan—In December 2021, the Board of Directors adopted and stockholders approved the 2021 Equity Incentive Plan, which became effective in December 2021 in connection with the Company's initial public offering ("IPO"). The total number of shares of the Company's Class A common stock reserved for future grants as of April 29, 2023July 29, 2023 includes 26,208,010 shares added on the first day of fiscal year 2024 pursuant to the annual automatic evergreen increase provision of the 2021 Plan.

Options—A summary of the stock options activity under the 2015 Plan during the threesix months ended April 29, 2023July 29, 2023 is presented below (the number of options represents shares of Class B common stock exercisable in respect thereof):

Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1) (In Thousands)	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (1) (In Thousands)

Balance as of January 28, 2023	Balance as of January 28, 2023	6,927,540	$ 4.61	6.4	$ 63,351	Balance as of January 28, 2023	6,927,540	$ 4.61	6.4	$ 63,351
Granted	Granted	—	$ —			Granted	—	$ —		
Exercised	Exercised	(230,811)	$ 0.68			Exercised	(353,957)	$ 0.53		
Forfeited, canceled, or expired	Forfeited, canceled, or expired	—	$ —			Forfeited, canceled, or expired	—	$ —		
Balance as of April 29, 2023		6,696,729	$ 4.75	6.2	$ 89,061					
Exercisable as of April 29, 2023		5,552,499	$ 4.17	6.0	$ 77,093					
Balance as of July 29, 2023						Balance as of July 29, 2023	6,573,583	$ 4.83	6.0	$ 150,369
Exercisable as of July 29, 2023						Exercisable as of July 29, 2023	5,620,058	$ 4.37	5.8	$ 131,184

(1) Aggregate intrinsic value for stock options represents the difference between the exercise price and the per share fair value of the Company's Class A common stock for each period end presented, multiplied by the number of stock options outstanding or exercisable as of each period end presented.

The intrinsic value of stock options exercised was $3.9 million $7.0 million and $10.8 million $19.4 million during the three six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, respectively.

As of April 29, 2023 July 29, 2023, unrecognized stock-based compensation expense related to outstanding unvested stock options for employees that are expected to vest was approximately $4.5 million $3.8 million. The remaining unrecognized stock-based compensation expense is expected to be recognized over a weighted-average period of approximately 0.8 0.7 years.

RSUs—RSUs granted prior to the IPO had both a service condition and a performance condition. Stock-based compensation expense was only recognized for RSUs for which both the service condition and performance condition have been met. The service condition for these awards is generally satisfied over four years. The performance condition was satisfied upon the IPO. Prior to the IPO, the Company did not record expense on RSUs as a liquidity event upon which vesting is contingent was not probable of occurring. Following the closing of the IPO in December 2021, the Company began recording stock-based compensation expense for these RSUs using the accelerated attribution method, based on the grant-date fair value of the RSUs. RSUs granted after the IPO only have a service condition, and the related stock-based compensation expense is recognized on a straight-line basis over the requisite service period. The service condition for these awards is generally satisfied over four years for RSUs granted through fiscal year 2023 and three years for RSUs granted after fiscal year 2023.

A summary of the RSUs activity under the 2015 Plan and 2021 Plan during the three six months ended April 29, 2023 July 29, 2023 is presented below:

		Number of Shares	Weighted-Average Grant-Date Fair Value		Number of Shares	Weighted-Average Grant-Date Fair Value
Balance as of January 28, 2023	Balance as of January 28, 2023	40,796,104	$ 12.20	Balance as of January 28, 2023	40,796,104	$ 12.20
Granted	Granted	14,294,337	$ 16.51	Granted	17,501,017	$ 17.45
Vested	Vested	(4,115,374)	$ 11.56	Vested	(9,245,415)	$ 12.32
Forfeited	Forfeited	(1,155,875)	$ 13.53	Forfeited	(2,700,495)	$ 13.18
Balance as of April 29, 2023		49,819,192	$ 13.46			
Balance as of July 29, 2023				Balance as of July 29, 2023	46,351,211	$ 14.10

As of April 29, 2023 July 29, 2023, unrecognized stock-based compensation expense related to outstanding unvested RSUs for employees that are expected to vest was approximately $555.0 million $549.1 million. The remaining unrecognized stock-based compensation expense is expected to be recognized over a weighted-average period of approximately 1.6 1.5 years.

2021 Employee Stock Purchase Plan—In December 2021, the Board of Directors adopted and stockholders approved the 2021 Employee Stock Purchase Plan (the "2021 ESPP"), which became effective in December 2021 in connection with the IPO. The total number of shares of the Company's Class A common stock reserved for future issuance as of April 29, 2023 July 29, 2023 includes 5,241,602 shares added on the first day of fiscal year 2024 pursuant to the annual automatic evergreen increase provision of the 2021 ESPP.

The price at which Class A common stock is purchased under the 2021 ESPP is equal to 85% of the lower of the fair market value of a share of the Company's Class A common stock on the enrollment date or on the exercise date. The enrollment date means the first trading day of each offering period, and the exercise date means the last trading day of each purchase period. Offering periods are generally 12 months long, commencing on the first trading day on or after June 11 and December 11 of each year and terminating on the last trading day on or before June 10 and December 10 of each year. The first offering period began on the first trading day on or after the Company's registration date, which was December 15, 2021, and ended on December 9, 2022, and the second offering period began on June 13, 2022. Purchase periods are generally six months long, commencing on the first trading day after one exercise date and ending with the next exercise date. The first purchase period of the first offering period began on the first trading day on or after the registration date, which was December 15, 2021, and ended on June 10, 2022, and the second purchase period began on June 13, 2022 and ended on December 9, 2022.

For the three six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, there 1,152,816 and 1,109,945 shares of Class A common stock were no purchases of shares purchased under the 2021 ESPP. ESPP, resulting in net cash proceeds of $13.0 million and $10.3 million, respectively.

As of April 29, 2023 July 29, 2023, unrecognized stock-based compensation expense related to the 2021 ESPP for employees that are expected to vest was approximately $5.8 million $6.9 million. The remaining unrecognized stock-based compensation expense is expected to be recognized over a weighted-average period of approximately 0.6 0.5 years.

Employee Stock Purchase Plan Valuation—The Company estimates the fair value of shares to be issued under the 2021 ESPP using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires estimates of highly subjective assumptions, which greatly affect fair value. The weighted-average assumptions used to estimate the fair value of shares to be issued under the 2021 ESPP were as follows:

	Six Months Ended	
	July 29, 2023	July 30, 2022
Expected volatility	66.9% – 72.5%	81.0% – 97.7%
Expected term (years)	0.5 – 1.0	0.5 – 1.0
Risk-free interest rate	5.2% – 5.4%	2.3% – 2.9%
Expected dividend yield	—%	—%

Expected volatility—The expected volatility for the six months ended July 29, 2023 was based on the historical volatility of the Company. The expected volatility for the six months ended July 30, 2022 was based on the historical volatility of the Company and similar companies whose stock or option prices are publicly available, after considering the industry, stage of life cycle, size, market capitalization, and financial leverage of the other companies.

Expected term (years)—The expected term is approximately 0.5 years for the first purchase period and approximately 1.0 year for the second purchase period.

Risk-free interest rate—The risk-free interest rate assumption is based on observed U.S. Treasury yield curve interest rates in effect at the time of grant appropriate for the expected term of the stock-based award.

Expected dividend yield—Because the Company has never paid and has no intention to pay cash dividends on its common stock, the expected dividend yield is zero.

Stock-Based Compensation Expense—Stock-based compensation expense, by grant type, was as follows (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Stock options	Stock options	$ 811	$ 1,139	Stock options	$ 775	$ 1,085	$ 1,586	$ 2,224
RSUs	RSUs	49,416	39,311	RSUs	55,674	40,040	105,090	79,351
Employee stock purchase plan	Employee stock purchase plan	2,721	3,162	Employee stock purchase plan	3,207	3,215	5,928	6,377
Total stock-based compensation expense	Total stock-based compensation expense	$ 52,948	$ 43,612	Total stock-based compensation expense	$ 59,656	$ 44,340	$ 112,604	$ 87,952

Stock-based compensation expense included in the following line items of the Company's condensed consolidated statements of operations and comprehensive loss was as follows (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Cost of revenue	Cost of revenue	$ 2,706	$ 1,704	Cost of revenue	$ 3,056	$ 2,541	$ 5,762	$ 4,245
Research and development	Research and development	20,331	13,670	Research and development	22,524	13,800	42,855	27,470
Sales and marketing	Sales and marketing	15,242	14,544	Sales and marketing	17,337	14,323	32,579	28,867

General and administrative	General and administrative	14,669	13,694	General and administrative	16,739	13,676	31,408	27,370
Total stock-based compensation expense	Total stock-based compensation expense	$ 52,948	$ 43,612	Total stock-based compensation expense	$ 59,656	$ 44,340	$ 112,604	$ 87,952

11. Income Taxes

The Company had an effective tax rate of (1.4) (0.7)% and (1.0) (0.1)% for the three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, respectively, and (1.1)% and (0.6)% for the six months ended July 29, 2023 and July 30, 2022, respectively. The Company's provision for income taxes was $0.9 million $0.4 million and $0.7 million immaterial for the three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, respectively, and $1.4 million and $0.8 million for the six months ended July 29, 2023 and July 30, 2022, respectively. The Company has incurred U.S. operating losses and has minimal profits in foreign jurisdictions.

The Company computes its tax provision for interim periods by applying the estimated annual effective tax rate to year-to-date pre-tax income from recurring operations and adjusting for discrete tax items arising in that quarter.

As of April 29, 2023 July 29, 2023 and January 28, 2023, based on all available objective evidence, including the existence of cumulative losses, the Company determined that it was not more likely than not that the net deferred tax assets were fully realizable for U.S. federal and state tax purposes. Accordingly, the Company established a full valuation allowance against its deferred tax assets for U.S. federal and state tax purposes. The Company intends to maintain a full valuation allowance on net deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance for U.S. federal and state tax purposes.

The unrecognized tax benefits as of April 29, 2023 July 29, 2023, if recognized, would not affect the effective income tax rate due to the valuation allowance that currently offsets the deferred tax assets.

During the three six months ended April 29, 2023 July 29, 2023, there were no material changes to the total amount of unrecognized tax benefits and the Company does not expect any significant changes in the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. All periods since inception are subject to examination by U.S. federal, state, and foreign authorities, where applicable.

12. Net Loss Per Share, Basic and Diluted

For purposes of calculating net loss per share, the Company continues to use the two-class method. As Class A, Class B, and Class C common stock have identical liquidation and dividend rights, the undistributed earnings are allocated on a proportionate basis to each class of common stock. As a result, the basic and diluted net loss per share attributable to common stockholders are the same for all classes of the Company's common stock, on both an individual and combined basis, and therefore are presented together.

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

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Numerator:	Numerator:			Numerator:				
Net loss		$ (67,856)	$ (70,988)					
Net loss attributable to common stockholders	Net loss attributable to common stockholders	(67,856)	(70,988)	Net loss attributable to common stockholders	$ (59,968)	$ (64,281)	$ (127,824)	$ (135,269)
Denominator:	Denominator:			Denominator:				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	526,403,398	507,295,982	Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	531,751,683	511,758,439	529,077,540	509,526,709

Net loss per share attributable to common stockholders, basic and diluted	Net loss per share attributable to common stockholders, basic and diluted	$ (0.13)	$ (0.14)	Net loss per share attributable to common stockholders, basic and diluted	$ (0.11)	$ (0.13)	$ (0.24)	$ (0.27)

The following potentially dilutive securities were excluded from the computation of diluted net loss per share calculations for the periods presented because the impact of including them would have been antidilutive:

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Outstanding stock options	Outstanding stock options	6,696,729	7,730,214	Outstanding stock options	6,573,583	7,333,210	6,573,583	7,333,210
RSUs	RSUs	49,819,192	38,738,726	RSUs	46,351,211	38,261,800	46,351,211	38,261,800
Employee stock purchase rights under the 2021 ESPP	Employee stock purchase rights under the 2021 ESPP	216,871	255,833	Employee stock purchase rights under the 2021 ESPP	848,923	3,152	848,923	1,576
Total antidilutive securities	Total antidilutive securities	56,732,792	46,724,773	Total antidilutive securities	53,773,717	45,598,162	53,773,717	45,596,586

13. Segment Information

The Company has a single operating and reportable segment. The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. The Company derives its subscription revenue from customers that leverage the Company's Connected Operations Cloud, which consists of a data platform and set of applications to consolidate data from their physical operations into a single, integrated solution. Amounts derived from subscription and other revenue are summarized in Note 8, "Revenue, Deferred Revenue, and Remaining Performance Obligations."

Revenue by Geographic Area

The following table presents the Company's revenue disaggregated by geography, based on the location of the Company's customers (in thousands):

		Three Months Ended			Three Months Ended		Six Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
United States	United States	$ 180,525	$ 127,402	United States	$ 192,278	$ 136,722	$ 372,919	$ 264,123
Other (1)	Other (1)	23,795	15,243	Other (1)	26,979	16,801	50,658	32,044
Total revenue	Total revenue	$ 204,320	$ 142,645	Total revenue	$ 219,257	$ 153,523	$ 423,577	$ 296,168

(1) No individual country other than the United States exceeded 10% of the Company's total revenue for any period presented.

Long-Lived Assets, Net, by Geographic Area

The following table presents the Company's long-lived assets, net, disaggregated by geography, which consist of property and equipment, net, and operating lease ROU assets (in thousands):

		As of			As of	
		April 29, 2023	January 28, 2023		July 29, 2023	January 28, 2023
United States	United States	$ 147,779	$ 163,193	United States	$ 143,330	$ 163,193
Other (1)	Other (1)	8,316	8,709	Other (1)	7,758	8,709
Total long-lived assets, net	Total long-lived assets, net	$ 156,095	$ 171,902	Total long-lived assets, net	$ 151,088	$ 171,902

(1) No individual country other than the United States exceeded 10% of the Company's total long-lived assets, net, for any period presented.

14. Subsequent Event

In August 2023, the Company executed a sublease for certain office space, resulting in an impairment of the corresponding ROU and fixed assets of $4.8 million. This impairment charge will be recorded in “Lease modification, impairment, and related charges” in the third quarter of fiscal year 2024.

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 (1) our audited consolidated financial statements and the related notes and the discussion under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the fiscal year ended January 28, 2023 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) SEC on March 21, 2023, and (2) the our unaudited condensed consolidated financial statements and the related notes and other financial information included under Part I, Item 1 of this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled “Special Note Regarding Forward-Looking Statements” and “Risk Factors” for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Our fiscal year ends on the Saturday closest to February 1, resulting in a 52-week or 53-week fiscal year. Our two most recent fiscal years ended on January 28, 2023 and January 29, 2022, and each consisted of 52 weeks. Our fiscal year ending on February 3, 2024 is a 53-week fiscal year, with the fourth quarter consisting of 14 weeks.

Overview

Samsara is on a mission to increase the safety, efficiency, and sustainability of the operations that power the global economy.

To realize this vision, we pioneered the Connected Operations Cloud, which is a system of record that enables businesses that depend on physical operations to harness Internet of Things (“IoT”) IoT data to develop actionable business insights and improve their operations.

Our Connected Operations Cloud consolidates data from our IoT devices and a growing ecosystem of connected assets and third-party systems, and makes it easy for organizations to access, analyze, and act on data insights, using our cloud dashboard, custom alerts and reports, mobile apps, and workflows. Our differentiated, purpose-built suite of solutions enables organizations to embrace and deploy a digital, cloud-connected strategy across their operations. With Samsara, customers have the ability to drive safer operations, increase business efficiency, and achieve their sustainability goals, all to improve the lives of their employees and the customers they serve.

We were founded in 2015 and have achieved significant growth since our inception. For our three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, our revenue was $204.3 million $219.3 million and $142.6 million $153.5 million, respectively, representing year-over-year growth of 43%. Our net loss was $67.9 million $60.0 million and $71.0 million $64.3 million for the three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, respectively. For our six months ended July 29, 2023 and July 30, 2022, our revenue was $423.6 million and $296.2 million, respectively, representing year-over-year growth of 43%. Our net loss was $127.8 million and $135.3 million for the six months ended July 29, 2023 and July 30, 2022, respectively. Our business model focuses on maximizing the lifetime value of our customer relationships, and we continue to make significant investments to grow our customer base.

Key Business Metrics

The following table shows a summary of our key business metrics as of the periods presented (dollars in thousands):

		As of					As of			
			April 29, 2023		April 30, 2022			July 29, 2023		July 30, 2022
Annual recurring revenue (“ARR”)	Annual recurring revenue (“ARR”)	$	856,166	$	607,236	Annual recurring revenue (“ARR”)	$	930,016	$	662,777
Customers > $100,000 ARR	Customers > $100,000 ARR		1,375		897	Customers > $100,000 ARR		1,515		989

ARR

We believe that ARR is a key indicator of the trajectory of our business performance, enables measurement of the progress of our business initiatives, and serves as an indicator of future growth. We define ARR as the annualized value of subscription contracts that have commenced revenue recognition as of the measurement date. ARR highlights trends that may be less visible from the face of our financial statements due to ratable revenue recognition. ARR does not have a standardized meaning and is not necessarily comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and is not intended to be combined with or replace it. ARR is not a forecast, and the active contracts at the date used in calculating ARR may or may not be extended or renewed.

Number of Customers Over $100,000 in ARR

We focus on customers representing over $100,000 in ARR, as this key business metric is indicative of our penetration with larger customers. The number of our customers over $100,000 in ARR has grown over time as we have focused our sales efforts on larger customers, invested in our partner ecosystem, and released more Applications to address the needs of our larger customers.

Factors Affecting Our Performance

Acquiring New Customers

We believe that we have a substantial opportunity to continue to grow our customer base. We intend to drive new customer acquisition by continuing to invest significantly in sales and marketing to engage our prospective customers, increase brand awareness, and drive adoption of our Connected Operations Cloud. Our ability to attract new customers depends on a number of factors, including the effectiveness of our sales and marketing efforts, macroeconomic factors and their impact on our customers' businesses, and the success of our efforts to expand internationally.

Expanding Within Our Existing Customer Base

We believe that there is a significant opportunity to expand sales to existing customers following their initial adoption of our Connected Operations Cloud. We expand within our customer base by selling more Applications and expanding existing Applications across geographies and divisions. Our ability to expand within our customer base will depend on a number of factors, including our customers' satisfaction, pricing, competition, macroeconomic factors, and changes in our customers' spending levels.

Investments in Innovation and Future Growth

Our performance is driven by continuous innovation on our Connected Operations Cloud and our ability to scale our headcount to grow our business. We continuously invest in adding new data types to our Connected Operations Cloud and innovate with this growing data asset to introduce new Applications over time. Our performance is also impacted by our ability to scale our headcount across our business to support our growth. We remain committed to investing in our sales capacity and our research and development organization, and to driving revenue growth globally.

Macroeconomic Trends

Unfavorable conditions in the economy, both in the United States and abroad, may negatively affect the growth of our business and our results of operations. For example, our business and results of operations could be affected by global macroeconomic trends and events such as inflationary pressure, interest rate increases and declines in consumer confidence, widespread disruptions of supply chains and freight and shipping channels, increased prices for many goods and services (including fluctuating fuel costs), labor shortages, delayed or reduced spending on information technology ("IT") products, and significant volatility and disruption of financial markets, as well as other conditions arising from international conflicts, such as the ongoing conflict between Russia and Ukraine, geopolitical tensions involving China, and the COVID-19 pandemic, including the emergence of new variants. We are continuously monitoring these global events and other macroeconomic developments and how they may impact us directly or indirectly as a result of the effects on our customers and suppliers.

Refer to the section titled "Risk Factors" for further discussion of the impacts of macroeconomic trends on our business.

Components of Results of Operations

Revenue

We provide access to our Connected Operations Cloud through subscription arrangements, whereby the customer is charged a per-subscription fee for access for a specified term. Subscription agreements contain multiple service elements for one or more of our cloud-based Applications via mobile app(s) or a website that enable data collection and provide access to the cellular network, IoT devices (which we also refer to as connected devices), and support services delivered over the term of the arrangement. Our subscription contracts are typically for a three-to-five-year term and are generally non-cancelable and non-refundable, subject to limited exceptions under our standard terms of service. Our Connected Operations Cloud and IoT devices are highly interdependent and interrelated, and represent a combined performance obligation within the context of the contract.

In each of our past two fiscal years, we generated approximately 98% of our revenue from subscriptions to our Connected Operations Cloud. The small remaining portion of our revenue not generated from subscriptions to our Connected Operations Cloud comes from the sale of replacement IoT devices, including gateways, sensors and cameras, related shipping and handling fees, and professional services.

Allocation of Overhead Costs

Overhead costs that are not substantially dedicated to use by a specific functional group are allocated based on headcount. Such costs include costs associated with office facilities, depreciation of property and equipment, IT and security expenses, and other expenses, such as corporate software, subscription services, and insurance.

Cost of Revenue

Cost of revenue consists primarily of the amortization of IoT device costs associated with subscription agreements, cellular-related costs, third-party cloud infrastructure expenses, customer support costs, warranty charges, and operational employee-related costs consisting of employee-related costs, directly associated with our customer support and operations, including salaries, employee benefits and stock-based compensation, amortization of internal-use software development costs, expenses related to shipping and handling, packaging, fulfillment, warehousing, write-downs of excess and obsolete inventory, and allocated overhead costs.

As our customers expand and increase the use of our Connected Operations Cloud driven by additional IoT devices and Applications, we expect our cost of revenue as a percentage of revenue to remain relatively flat from year to year and but may also vary from quarter to quarter as a percentage of our revenue due to the timing and extent of these expenses. We intend to continue to invest additional resources in our Connected Operations Cloud and customer support and operations personnel as we grow our business. The level and timing of investment in these areas will affect our cost of revenue in the future.

Operating Expenses

Research and Development

Research and development expenses consist primarily of employee-related costs, including salaries, employee benefits and stock-based compensation, depreciation and other expenses related to prototyping IoT devices, product initiatives, software subscriptions, hosting used in research and development, and allocated overhead costs. We continue to focus our research and development efforts on adding new features and products and enhancing the utility of our Connected Operations Cloud. We capitalize the portion of our internal-use software development costs that meets the criteria for capitalization.

We expect our research and development expenses to generally increase in absolute dollars for the foreseeable future as we continue to invest in research and development efforts to enhance our Connected Operations Cloud. While we expect our research and development expenses to decrease as a percentage of our revenue over the long term, our research and development expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Sales and Marketing

Sales and marketing expenses consist primarily of employee-related costs directly associated with our sales and marketing activities, including salaries, employee benefits and stock-based compensation, and sales commissions. Sales and marketing expenses also include expenditures related to advertising, media, marketing, promotional costs, free trial expenses, brand awareness activities, business development, corporate partnerships, travel, conferences and events, professional services, and allocated overhead costs.

We plan to continue to invest in sales and marketing to grow our customer base and increase our brand awareness. As a result, we expect our sales and marketing expenses to increase in absolute dollars for the foreseeable future. While we expect our sales and marketing expenses to decrease as a percentage of our revenue over the long term, our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

General and Administrative

General and administrative expenses consist of employee-related costs for executive, finance, legal, human resources, and facilities personnel, including salaries, employee benefits and stock-based compensation, professional fees for external legal, accounting, recruiting and other consulting services, bad debt, allocated overhead costs, and unallocated lease costs.

We expect our general and administrative expenses to continue to increase in absolute dollars for the foreseeable future to support our growth and because of additional costs associated with legal, accounting, compliance, insurance, investor relations, and other areas associated with being a public company. While we expect our general and administrative expenses to decrease as a percentage of our revenue over the long term, our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Lease Modification, Impairment, and Related Charges

Lease modification, impairment, and related charges consist of impairment charges related to the sublease and abandonment of facilities.

We may incur additional lease modification, impairment, and related charges in subsequent periods.

Interest Income and Other Income (Expense), Net

Interest income and other income (expense), net, consists primarily of income earned on our money market funds included in cash and cash equivalents, restricted cash, and our short-term and long-term investments, including amortization of premiums and accretion of discounts related to our marketable debt securities, net of associated fees. We also have foreign currency remeasurement gains and losses and foreign currency transaction gains and losses. As we have expanded our global operations, our exposure to fluctuations in foreign currencies has increased, and we expect this to continue.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance against our U.S. deferred tax assets because we have concluded that it is more likely than not that the deferred tax assets will not be realized.

Results of Operations

Comparison of the Three and Six Months Ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022

Revenue

Our total revenue is summarized as follows (in thousands, except percentages):

	Three Months Ended		Change	
	April 29, 2023	April 30, 2022	Amount	%
Revenue	$ 204,320	$ 142,645	$ 61,675	43 %

	Three Months Ended		Change		Six Months Ended		Change	
	July 29, 2023	July 30, 2022	Amount	%	July 29, 2023	July 30, 2022	Amount	%
Revenue	$ 219,257	$ 153,523	$ 65,734	43 %	$ 423,577	$ 296,168	$ 127,409	43 %

Revenue increased by $61.7 million $65.7 million and $127.4 million, or 43% and 43%, for the three and six months ended April 29, 2023 July 29, 2023, respectively, compared to the three and six months ended April 30, 2022 July 30, 2022, primarily due to an increase in customer count and increased purchases of our subscription offerings, including subscriptions to additional applications, by existing customers.

Cost of Revenue, Gross Profit, and Gross Margin

Our cost of revenue, gross profit, and gross margin are summarized as follows (in thousands, except percentages):

		Three Months Ended				Change	
		April 29, 2023		April 30, 2022		Amount	%
Cost of revenue	Cost of revenue	$	57,557	$	39,618	$ 17,939	45 %
Gross profit	Gross profit	$	146,763	$	103,027		
Gross margin	Gross margin	72 %		72 %			

	Three Months Ended				Change		Six Months Ended				Change	
	July 29, 2023		July 30, 2022		Amount	%	July 29, 2023		July 30, 2022		Amount	%
Cost of revenue	$	58,866	$	44,257	$ 14,609	33 %	$	116,423	$	83,875	$ 32,548	39 %
Gross profit	$	160,391	$	109,266			$	307,154	$	212,293		
Gross margin	73 %		71 %				73 %		72 %			

Cost of revenue increased by $17.9 million $14.6 million, or 45% 33%, for the three months ended April 29, 2023 July 29, 2023 compared to the three months ended April 30, 2022 July 30, 2022, primarily due to $7.4 million of increased amortization of deferred IoT device costs, $5.9 million $3.0 million of increased direct labor costs, $1.6 million of increased warranty costs, and $1.6 million $1.9 million of increased infrastructure costs associated with our product offerings. The increase in cost offerings, and $1.8 million of revenue was also driven by increased operational costs of $1.4 million to support the growth of our subscription offerings. warranty costs. The increases in amortization of deferred IoT device costs and infrastructure costs were driven by increased sales volume year-over-year.

Our gross margin remained flat at 72% increased to 73% for the three months ended April 29, 2023 July 29, 2023 compared to 71% for the three months ended April 30, 2022 July 30, 2022, mainly due to operational efficiencies in infrastructure costs costs.

Cost of revenue increased by $32.5 million, or 39%, for the six months ended July 29, 2023 compared to the six months ended July 30, 2022, primarily offset by an increase in due to $14.9 million of increased amortization of deferred IoT device costs, $9.0 million of increased direct labor costs, $3.5 million of increased infrastructure costs associated with our product offerings, and $3.4 million of increased warranty costs. The increases in amortization of deferred IoT device costs and infrastructure costs were driven by increased sales volume year-over-year.

Our gross margin increased to 73% for the six months ended July 29, 2023 compared to 72% for the six months ended July 30, 2022, mainly due to operational efficiencies in infrastructure costs.

Research and Development

Research and development expense is summarized as follows (in thousands, except percentages):

		Three Months Ended				Change	
		April 29, 2023		April 30, 2022		Amount	%
Research and development	Research and development	$	60,366	$	40,985	$ 19,381	47 %
Percentage of revenue	Percentage of revenue	30 %		29 %			

	Three Months Ended				Change		Six Months Ended				Change	
	July 29, 2023		July 30, 2022		Amount	%	July 29, 2023		July 30, 2022		Amount	%
Research and development	$	63,969	$	41,847	$ 22,122	53 %	$	124,335	$	82,832	$ 41,503	50 %
Percentage of revenue	29 %		27 %				29 %		28 %			

Research and development expense increased by $19.4 million $22.1 million, or 47% 53%, for the three months ended April 29, 2023 July 29, 2023 compared to the three months ended April 30, 2022 July 30, 2022, primarily due to a $16.5 million $18.8 million increase in employee-related costs, which included a $9.9 million $10.1 million increase in salaries and benefits and related employer taxes driven primarily by increased headcount to support our research and development organization as well as a $6.7 million and an $8.7 million increase in stock-based compensation expense. expense as more equity awards were granted during the first half of fiscal year 2024 when compared to the prior corresponding period primarily due to increased headcount. Our increase in research and development expense was also driven by a $2.0 million $2.2 million increase in IT-related charges, software subscriptions, and rent, IT and security, a $0.7 million increase in expenses relating to professional services.

Research and development expense increased by $41.5 million, or 50%, for the six months ended July 29, 2023 compared to the six months ended July 30, 2022, primarily due to a $35.3 million increase in employee-related costs, which included a $19.9 million increase in salaries and benefits and related employer taxes driven primarily by increased headcount to support our research and development organization and a $15.4 million increase in stock-based compensation expense as more equity awards were granted during the first half of fiscal year 2024 when compared to the prior corresponding period primarily due to increased headcount. Our increase in research and development expense was also driven by a $4.2 million increase in IT-related charges, rent, and software subscriptions. subscriptions, and a $1.3 million increase in expenses relating to professional services. These increases in research and development expense were partially offset by a $1.0 million decrease in third-party cloud infrastructure costs.

Sales and Marketing

Sales and marketing expense is summarized as follows (in thousands, except percentages):

		Three Months Ended				Change	
		April 29, 2023		April 30, 2022		Amount	%
Sales and marketing	Sales and marketing	$	118,955	$	87,449	$ 31,506	36 %
Percentage of revenue	Percentage of revenue	58 %		61 %			

	Three Months Ended				Change		Six Months Ended				Change	
	July 29, 2023		July 30, 2022		Amount	%	July 29, 2023		July 30, 2022		Amount	%
Sales and marketing	$	117,908	$	91,842	$ 26,066	28 %	$	236,863	$	179,291	$ 57,572	32 %
Percentage of revenue	54 %		60 %				56 %		61 %			

Sales and marketing expense increased by $31.5 million $26.1 million, or 36% 28%, for the three months ended April 29, 2023 July 29, 2023 compared to the three months ended April 30, 2022 July 30, 2022, primarily due to a $20.0 million $15.9 million increase in employee-related costs, which included an $18.2 million a $12.6 million increase in salaries and benefits and related employer taxes primarily driven by an increase in increased headcount to support our sales organization and a $1.2 million $3.0 million increase in sales commissions. stock-based compensation expense as more equity awards were granted during the first half of fiscal year 2024 when compared to the prior corresponding period primarily due to increased headcount. Our increase in sales and marketing expense was also driven by a $5.4 million $4.3 million increase in IT-related charges, rent, IT and security, and software subscriptions, a $3.3 million $2.3 million increase in travel-related expenses and expenses relating to our customer visits, conferences, and other events, and a $1.2 million $1.9 million increase in expenses relating to lead generation initiatives.

Sales and marketing expense increased by $57.6 million, or 32%, for the six months ended July 29, 2023 compared to the six months ended July 30, 2022, primarily due to a $36.0 million increase in employee-related costs, which included a $30.8 million increase in salaries and benefits and related employer taxes primarily driven by increased headcount to support our sales organization, a $3.7 million increase in stock-based compensation expense as more equity awards were granted during the first half of fiscal year 2024 when compared to the prior corresponding period primarily due to increased headcount, and a $1.5 million increase in sales commissions. Our increase in sales and marketing expense was also driven by a $9.7 million increase in IT-related charges, rent, and software subscriptions, a $5.6 million increase in travel-related expenses and expenses relating to our customer visits, conferences, and other events, and a $3.1 million increase in expenses relating to lead generation initiatives.

General and Administrative

General and administrative expense is summarized as follows (in thousands, except percentages):

		Three Months Ended		Change	
		April 29, 2023	April 30, 2022	Amount	%
General and administrative	General and administrative	$ 43,266	$ 43,742	$ (476)	(1 %)
Percentage of revenue	Percentage of revenue	21 %	30 %		

	Three Months Ended		Change		Six Months Ended		Change	
	July 29, 2023	July 30, 2022	Amount	%	July 29, 2023	July 30, 2022	Amount	%
General and administrative	$ 48,268	$ 41,359	$ 6,909	17 %	$ 91,534	$ 85,101	$ 6,433	8 %
Percentage of revenue	22 %	27 %			22 %	29 %		

General and administrative expense decreased increased by $0.5 million $6.9 million, or 1% 17%, for the three months ended April 29, 2023 July 29, 2023 compared to the three months ended April 30, 2022 July 30, 2022, primarily due to a $6.3 million decrease in rent, IT and security, and a $2.4 million decrease in bad debt expense. These decreases in general and administrative expense were partially offset by a $7.6 million $9.8 million increase in employee-related costs, which included a $6.6 million $6.8 million increase in salaries and benefits and related employer taxes primarily driven by an increase in increased headcount to support the growth of our finance, accounting, human resources, and legal functions, and a $1.0 million $3.1 million increase in stock-based compensation expense. expense as more equity awards were granted during the first half of fiscal year 2024 when compared to the prior corresponding period primarily due to increased headcount. Our increase in general and administrative expense was also driven by a $1.7 million increase in expenses relating to legal fees and professional services. The decreases increases in general and administrative expense were also partially offset by a $1.0 million $5.0 million decrease in IT-related charges and rent.

General and administrative expense increased by $6.4 million, or 8%, for the six months ended July 29, 2023 compared to the six months ended July 30, 2022, primarily due to a $17.4 million increase in employee-related costs, which included a $13.4 million increase in salaries and benefits and related employer taxes primarily driven by increased headcount to support the growth of our finance, accounting, human resources, and legal functions, and a $4.0 million increase in stock-based compensation expense as more equity awards were granted during the first half of fiscal year 2024 when compared to the prior corresponding period primarily due to increased headcount. Our increase in general and administrative expense was also driven by a $1.9 million increase in expenses relating to professional services. services and legal fees. The increases in general and administrative expense were partially offset by a $11.3 million decrease in IT-related charges and rent, and a $2.3 million decrease in bad debt expense.

Lease Modification, Impairment, and Related Charges

Lease modification, impairment, and related charges are summarized as follows (in thousands, except percentages):

	Three Months Ended		Change	
	April 29, 2023	April 30, 2022	Amount	%
Lease modification, impairment, and related charges	$ —	$ 1,056	$ (1,056)	(100 %)

	Three Months Ended		Change		Six Months Ended		Change	
	July 29, 2023	July 30, 2022	Amount	%	July 29, 2023	July 30, 2022	Amount	%
Lease modification, impairment, and related charges	$ —	$ —	$ —	*	$ —	$ 1,056	$ (1,056)	(100 %)

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* Not meaningful

Lease modification, impairment, and related charges decreased by $1.1 million, or 100%, for the three six months ended April 29, 2023 July 29, 2023 compared to the three six months ended April 30, 2022 July 30, 2022.

In the first quarter of fiscal year 2023, we executed a sublease for certain office space which resulted in a $1.1 million impairment to the related right-of-use asset which we recognized in lease modification, impairment, and related charges for the three six months ended April 30, 2022 July 30, 2022. We did not incur any lease modification, impairment, and related charges in the three and six months ended April 29, 2023 July 29, 2023 and three months ended July 30, 2022.

Interest Income and Other Income (Expense), Net

Interest income and other income (expense), net, are summarized as follows (in thousands, except percentages):

	Three Months Ended		Change	
	April 29, 2023	April 30, 2022	Amount	%
Interest income and other income (expense), net	$ 8,895	$ (60)	$ 8,955	*

	Three Months Ended		Change		Six Months Ended		Change	
	July 29, 2023	July 30, 2022	Amount	%	July 29, 2023	July 30, 2022	Amount	%
Interest income and other income (expense), net	$ 10,220	$ 1,541	$ 8,679	*	$ 19,115	$ 1,481	$ 17,634	*

* Not meaningful

Interest income and other income (expense), net, increased by $9.0 million $8.7 million and $17.6 million for the three and six months ended April 29, 2023 July 29, 2023, respectively, compared to the three and six months ended April 30, 2022 July 30, 2022. The increase was primarily due to net accretion of discounts and interest income earned on our managed portfolio of marketable debt securities, and due to a higher yield on interest-bearing cash balances in the three and six months ended April 29, 2023. July 29, 2023, and favorable movements in foreign currencies.

Provision for Income Taxes

Provision for income taxes is summarized as follows (in thousands, except percentages):

		Three Months Ended		Change			Three Months Ended		Change		Six Months Ended		Change	
		April 29, 2023	April 30, 2022	Amount	%		July 29, 2023	July 30, 2022	Amount	%	July 29, 2023	July 30, 2022	Amount	%
Provision for income taxes	Provision for income taxes	$ 927	$ 723	$ 204	28 %	Provision for income taxes	$ 434	$ 40	$ 394	*	$ 1,361	$ 763	$ 598	78 %
Effective tax rate	Effective tax rate	(1.4 %)	(1.0 %)			Effective tax rate	(0.7 %)	(0.1 %)			(1.1 %)	(0.6 %)		

* Not meaningful

The provision for income taxes increased by $0.2 million, or 28%, $0.4 million and $0.6 million for the three and six months ended April 29, 2023 July 29, 2023, respectively, compared to the three and six months ended April 30, 2022 July 30, 2022, primarily driven by the growth of our international operations.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements prepared in accordance with generally accepted accounting principles ("GAAP"), we review the following non-GAAP financial measures to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions (in thousands, except percentages):

		Three Months Ended			Three Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022
Non-GAAP gross profit	Non-GAAP gross profit	$ 149,678	$ 104,787	Non-GAAP gross profit	$ 163,683	$ 111,864

Non-GAAP gross margin	Non-GAAP gross margin	73 %	73 %	Non-GAAP gross margin	75 %	73 %			
Non-GAAP loss from operations	Non-GAAP loss from operations	$ (19,031)	$ (25,482)	Non-GAAP loss from operations	$ (5,904)	$ (20,225)			
Non-GAAP operating margin	Non-GAAP operating margin	(9) %	(18) %	Non-GAAP operating margin	(3) %	(13) %			
Non-GAAP net loss		$ (11,063)	$ (26,265)						
Non-GAAP net income (loss)							Non-GAAP net income (loss)	$ 3,882	$ (18,724)

	Six Months Ended				
	July 29, 2023	July 30, 2022			
Adjusted free cash flow	$ (2,224)	$ (50,682)			
Adjusted free cash flow margin	(1) %	(36) %			
Free cash flow			Free cash flow	$ 12,671	$ (102,690)
Free cash flow margin			Free cash flow margin	3 %	(35) %

Limitations and Reconciliations of Non-GAAP Financial Measures

Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for financial information presented under GAAP. There are a number of limitations related to the use of non-GAAP financial measures versus comparable financial measures determined under GAAP. For example, other companies in our industry may calculate these non-GAAP financial measures differently or may use other measures to evaluate their performance. In addition, adjusted free cash flow does not reflect our future contractual commitments or the total increase or decrease of our cash balance for a given period. These and other limitations could reduce the usefulness of these non-GAAP financial measures as analytical tools. Investors are encouraged to review the related GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures and to not rely on any single financial measure to evaluate our business.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit as gross profit plus stock-based compensation expense-related charges, including employer taxes on employee equity transactions, included in cost of revenue. Non-GAAP gross margin is defined as non-GAAP gross profit as a percentage of total revenue. We use non-GAAP gross profit and non-GAAP gross margin in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP gross profit and non-GAAP gross margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations. The following table presents a reconciliation of our non-GAAP gross profit to our GAAP gross profit for the periods presented (in thousands, except percentages):

		Three Months Ended			Three Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022
Gross profit	Gross profit	$ 146,763	$ 103,027	Gross profit	$ 160,391	$ 109,266
Add:	Add:			Add:		
Stock-based compensation expense-related charges (1)	Stock-based compensation expense-related charges (1)	2,915	1,760	Stock-based compensation expense-related charges (1)	3,292	2,598
Non-GAAP gross profit	Non-GAAP gross profit	$ 149,678	$ 104,787	Non-GAAP gross profit	$ 163,683	$ 111,864
GAAP gross margin	GAAP gross margin	72 %	72 %	GAAP gross margin	73 %	71 %
Non-GAAP gross margin	Non-GAAP gross margin	73 %	73 %	Non-GAAP gross margin	75 %	73 %

(1) Stock-based compensation expense-related charges included approximately $0.2 million and $0.1 million of employer taxes on employee equity transactions for the three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, respectively.

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

We define non-GAAP loss from operations, or non-GAAP operating loss, as loss from operations excluding the effect of stock-based compensation expense-related charges, including employer taxes on employee equity transactions, and lease modification, impairment, and related charges. Non-GAAP operating margin is defined as non-GAAP operating loss as a percentage of total revenue. We use non-GAAP loss from operations and non-GAAP operating margin in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP loss from operations and non-GAAP operating margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations. The following table presents a reconciliation of our non-GAAP loss from operations to our GAAP loss from operations for the periods presented (in thousands, except percentages):

		Three Months Ended			Three Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022
Loss from operations	Loss from operations	$ (75,824)	$ (70,205)	Loss from operations	$ (69,754)	$ (65,782)
Add:	Add:			Add:		
Stock-based compensation expense-related charges (1)	Stock-based compensation expense-related charges (1)	56,793	43,667	Stock-based compensation expense-related charges (1)	63,850	45,557
Lease modification, impairment, and related charges	Lease modification, impairment, and related charges	—	1,056	Lease modification, impairment, and related charges	—	—
Non-GAAP loss from operations	Non-GAAP loss from operations	$ (19,031)	$ (25,482)	Non-GAAP loss from operations	$ (5,904)	$ (20,225)
GAAP operating margin	GAAP operating margin	(37) %	(49) %	GAAP operating margin	(32) %	(43) %
Non-GAAP operating margin	Non-GAAP operating margin	(9) %	(18) %	Non-GAAP operating margin	(3) %	(13) %

(1) Stock-based compensation expense-related charges included approximately $3.8 million $4.2 million and $0.1 million $1.2 million of employer taxes on employee equity transactions for the three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022, respectively.

Non-GAAP Net Loss Income (Loss)

We define non-GAAP net loss income (loss) as net loss excluding the effect of stock-based compensation expense-related charges, including employer taxes on employee equity transactions, and lease modification, impairment, and related charges. We use non-GAAP net loss income (loss) in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP net loss income (loss) provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations. The following table presents a reconciliation of our non-GAAP net loss income (loss) to our GAAP net loss for the periods presented (in thousands, except percentages):

		Three Months Ended			Three Months Ended	
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022
Net loss	Net loss	$ (67,856)	$ (70,988)	Net loss	$ (59,968)	$ (64,281)
Add:	Add:			Add:		
Stock-based compensation expense-related charges, net of applicable taxes	Stock-based compensation expense-related charges, net of applicable taxes	56,793	43,667	Stock-based compensation expense-related charges, net of applicable taxes	63,850	45,557
Lease modification, impairment, and related charges, net of applicable taxes	Lease modification, impairment, and related charges, net of applicable taxes	—	1,056	Lease modification, impairment, and related charges, net of applicable taxes	—	—
Non-GAAP net loss		$ (11,063)	$ (26,265)			
Non-GAAP net income (loss)				Non-GAAP net income (loss)	$ 3,882	$ (18,724)

***Adjusted* Free Cash Flow and *Adjusted* Free Cash Flow Margin**

We define adjusted free cash flow as net cash provided by (used in) operating activities reduced by cash used for purchases of property and equipment, plus non-recurring capital expenditures associated with the build-out of our corporate office facilities in San Francisco, California, net of tenant allowances. Adjusted free equipment. Free cash flow margin is calculated as adjusted free cash flow as a percentage of total revenue. We believe that adjusted free cash flow and adjusted free cash flow margin, even if negative, are useful in evaluating liquidity and provide information to management and investors about our ability to fund future operating needs and strategic initiatives. The following table presents a reconciliation of adjusted free cash flow to net cash provided by (used in) operating activities for the periods presented (in thousands, except percentages):

		Three Months Ended			Six Months Ended				
		April 29, 2023	April 30, 2022		July 29, 2023	July 30, 2022			
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	$ 10,454	$ (48,782)	Net cash provided by (used in) operating activities	$ 18,174	$ (85,760)			
Purchase of property and equipment	Purchase of property and equipment	(2,499)	(10,668)	Purchase of property and equipment	(5,503)	(16,930)			
Purchase of property and equipment for build-out of corporate office facilities, net of tenant allowances (1)		(10,179)	8,768						
Adjusted free cash flow (1)		$ (2,224)	$ (50,682)						
Free cash flow (1)							Free cash flow (1)	$ 12,671	$ (102,690)
Net cash provided by (used in) operating activities margin	Net cash provided by (used in) operating activities margin	5 %	(34) %	Net cash provided by (used in) operating activities margin	4 %	(29) %			
Adjusted free cash flow margin (1)		(1) %	(36) %						
Free cash flow margin (1)							Free cash flow margin (1)	3 %	(35) %
Net cash used in investing activities	Net cash used in investing activities	$ (17,729)	$ (10,668)	Net cash used in investing activities	$ (34,590)	$ (16,930)			
Net cash used in financing activities		$ (289)	$ (1,734)						
Net cash provided by financing activities							Net cash provided by financing activities	$ 12,255	$ 8,009

(1) Includes net cash paid (received) for non-recurring capital expenditures associated with the build-out of our corporate office facilities in San Francisco, California, net of tenant allowances (in thousands):

	Six Months Ended	
	July 29, 2023	July 30, 2022
Purchase of property and equipment for build-out of corporate office facilities, net of tenant allowances (2)	$ (10,179)	$ 13,565

(2) In April 2023, we settled a lease dispute which was primarily related to lease incentives associated with leasehold improvements in the form of a tenant allowance and received $11.3 million. This claim is unrelated to the claim discussed under the caption "*Lease-Related Litigation*" in Note 9, "Commitments and Contingencies," to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

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

Since our founding, we have financed our operations primarily through the sale of equity securities and payments received from our customers. In December 2021, we completed our initial public offering ("IPO"), which resulted in aggregate net proceeds of $846.7 million, including proceeds from the underwriters' exercise of their option to purchase additional shares of our Class A common stock in January 2022 and net of underwriting discounts and commissions. We have generated significant operating losses from our operations, as reflected in our accumulated deficit of $1,236.2 million $1,296.2 million as of April 29, 2023 July 29, 2023. We expect to continue to incur operating losses and generate negative While we achieved positive free cash flows from operations for flow beginning in the foreseeable future due to the investments first quarter of fiscal year 2024, we intend to make continue making investments in our business, and as a result, we may require additional capital resources to execute on our strategic initiatives to grow our business. business, particularly if we generate negative cash flows in future quarters. We believe that our existing cash, cash equivalents, and short-term and long-term investments will be sufficient to support working capital, including our non-cancelable arrangements, and capital expenditure requirements for at least the next 12 months.

As of April 29, 2023 July 29, 2023, our principal sources of liquidity were cash, cash equivalents, and short-term and long-term investments of $813.8 million $834.5 million. Cash and cash equivalents consisted of cash on deposit with banks as well as highly liquid investments with an original maturity of 90 days or less, when purchased. Our investments primarily consisted of U.S. government and agency securities, corporate notes and bonds, and commercial paper. Our primary uses of cash include personnel-related costs, third-party cloud infrastructure expenses, sales and marketing expenses, overhead costs, and funding other working capital requirements.

Our future capital requirements will depend on many factors, including, but not limited to, our growth, our ability to attract and retain customers, the continued market acceptance of our solution, the timing and extent of spending to support our efforts to develop our Connected Operations Cloud, the expansion of sales and marketing activities, and the impact of macroeconomic conditions on our and our customers' and partners' businesses. Further, we may in the future enter into arrangements to acquire or invest in businesses, products, services, and technologies. We may be required to seek additional equity or debt financing. In the event that additional financing is required, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition, and results of operations could be adversely affected.

Cash Flows

The following table shows a summary of our cash flows for the periods presented (in thousands):

		Three Months Ended			**Six Months Ended**			
		April 29, 2023	**April 30, 2022**		**July 29, 2023**		**July 30, 2022**	
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	$ 10,454	$ (48,782)	Net cash provided by (used in) operating activities	$ 18,174		$ (85,760)	
Net cash used in investing activities	Net cash used in investing activities	$ (17,729)	$ (10,668)	Net cash used in investing activities	$ (34,590)		$ (16,930)	
Net cash used in financing activities		$ (289)	$ (1,734)					
Net cash provided by financing activities						Net cash provided by financing activities	$ 12,255	$ 8,009

Operating Activities

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are for employee-related expenses, sales and marketing expenses, inventory and connected device costs, third-party cloud and cellular infrastructure expenses, and overhead expenses. We have generated negative cash flows from operations in each of the past two fiscal years, and have supplemented working capital through net proceeds from the sale of equity securities.

Cash used in provided by (used in) operating activities mainly consists of our net loss adjusted for certain non-cash items, including stock-based compensation, net accretion of discounts on marketable debt securities, non-cash operating lease costs, depreciation and amortization of property and equipment, lease modification, impairment, and related charges, and changes in operating assets and liabilities during each period.

Cash provided by operating activities was $10.5 million $18.2 million for the three six months ended April 29, 2023 July 29, 2023. This consisted of a net loss of $67.9 million $127.8 million, adjusted for non-cash charges of $50.3 million $111.3 million, and changes in our operating assets and liabilities of $28.0 million $34.7 million. The non-cash charges were primarily comprised of stock-based compensation expense of $52.9 million $112.6 million and depreciation and amortization of $3.5 million $7.2 million, partially offset by net accretion of discounts on marketable debt securities of $4.2 million $8.6 million. Changes in our operating assets and liabilities during the three six months ended April 29, 2023 July 29, 2023 reflect higher cash collections from customers, increases in deferred revenue due to the growth of our business, lower inventories due to operating efficiencies in our order fulfillment processes, and $10.5 million in tenant allowances received during the three months ended April 29, 2023, higher cash collections from customers, partially offset by higher connected device costs and an additional $9.8 million prepayment of rent higher deferred commissions during the three six months ended April 29, 2023 July 29, 2023.

Cash used in operating activities was $48.8 million $85.8 million for the three six months ended April 30, 2022 July 30, 2022. This consisted of a net loss of $71.0 million $135.3 million, adjusted for non-cash charges of $49.1 million $96.9 million, and changes in our operating assets and liabilities of $26.9 million $47.4 million. The non-cash charges were primarily comprised of stock-based compensation expense of $43.6 million $88.0 million, depreciation and amortization of $2.4 million $5.0 million, bad debt expense of $1.9 million $3.0 million, and lease modification, impairment, and related charges of $1.1 million.

Investing Activities

Cash used in investing activities was $17.7 million $34.6 million for the three six months ended April 29, 2023 July 29, 2023, which primarily consisted of $192.4 million $374.4 million of purchases of investments and $2.5 million $5.5 million of capital expenditures for internal-use software development costs and our office facilities, partially offset by $177.2 million $340.9 million of proceeds from maturities and redemptions of investments and $4.5 million of proceeds from sales of investments.

Cash used in investing activities was $10.7 million $16.9 million for the three six months ended April 30, 2022 July 30, 2022, which primarily consisted of capital expenditures for additional office facilities.

Financing Activities

Cash used in provided by financing activities was $0.3 million $12.3 million for the three six months ended April 29, 2023 July 29, 2023, which primarily consisted of $0.4 million $13.2 million of proceeds from purchases under the 2021 Employee Stock Purchase Plan (the "2021 ESPP") and exercises of stock options, partially offset by $0.9 million in payments of principal on finance leases, partially offset by $0.2 million of proceeds from exercises of stock options. leases.

Cash used in provided by financing activities was $1.7 million $8.0 million for the three six months ended April 30, 2022 July 30, 2022, which primarily consisted of $1.7 million $10.7 million of proceeds from purchases under the 2021 ESPP and exercises of stock options, partially offset by $2.2 million in payments of offering costs.

Contractual Obligations and Commitments

Our estimated future obligations consist of leases and non-cancelable purchase commitments as of April 29, 2023 July 29, 2023. For additional discussion on our leases and other commitments, refer to Notes 7, "Leases," and 9, "Commitments and Contingencies," to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP.

The preparation of our condensed consolidated financial statements in conformity with GAAP requires us to make estimates and judgments that affect the amounts reported in those financial statements and accompanying notes. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

There were no material changes to our critical accounting policies and estimates during the three six months ended April 29, 2023 July 29, 2023.

Recent Accounting Pronouncements

For information on recently issued accounting pronouncements, see Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in connection with our business, which primarily relate to fluctuations in interest rates and foreign exchange and inflation risks.

Interest Rate Risk

As of April 29, 2023 July 29, 2023, we had $813.8 million $834.5 million of cash, cash equivalents, and short-term and long-term investments in a variety of marketable debt securities, including U.S. government and agency securities, corporate notes and bonds, and commercial paper. In addition, we had $24.3 million $24.1 million of restricted cash primarily due to outstanding letters of credit. Our cash, cash equivalents, and short-term and long-term investments are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Our cash equivalents and our portfolio of marketable debt securities are subject to market risk due to changes in interest rates. A hypothetical 100 basis point increase or decrease in interest rates would have resulted in a decrease or an increase of $3.4 million $3.8 million in the market value of our cash equivalents, and short-term and long-term investments as of April 29, 2023 July 29, 2023.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar. The functional currency of our wholly-owned foreign subsidiaries is the U.S. dollar or the Mexican peso. A substantial majority of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States and the United Kingdom. Our condensed 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 exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. We do not believe that a hypothetical 10% increase or decrease in the relative value of the U.S. dollar to other currencies during any of the periods presented would have had a material impact on our condensed consolidated financial statements.

Inflation Risk

We do not believe that inflation has had a material impact on our condensed consolidated financial statements. If our costs 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 have a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on that evaluation, our principal executive officer and principal financial officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures are designed to, and are effective to, provide reasonable assurance that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the fiscal quarter ended AprilJuly 29, 2023 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control Over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Our business, operations, and financial condition are subject to various risks and uncertainties, including those described below, that could materially adversely affect our business, results of operations, financial condition, growth prospects, and the trading price of our Class A common stock. The following factors, among others not currently known by us or that we currently do not believe are material, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors, and oral and other statements. You should carefully consider the following risks, together with all of the other information contained in this Quarterly Report on Form 10-Q, including the sections titled "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q.

Risks Related to Our Business, Industry, and Operations

We have a history of losses and may not be able to achieve or sustain profitability on a consistent basis or at all in the future.

We have incurred losses in all years since our incorporation, and we expect we will continue to incur net losses for the foreseeable future. We incurred net losses of $67.9 million and $71.0 million for our three months ended April 29, 2023 and April 30, 2022, respectively. As a result, we had an accumulated deficit of $1,236.2 million and $1,168.4 million as of April 29, 2023 and January 28, 2023, respectively. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our Connected Operations Cloud, broaden our customer base, expand our sales and marketing activities, including expanding our sales team and customer outcomes team, expand our operations, hire additional employees, and continue to develop our technology. In addition to the expected costs to grow our business, we also have incurred and expect to incur significant additional legal, accounting, and other expenses as a public company. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. Revenue growth may slow, or revenue may decline, for a number of possible reasons, including slowing demand for our Connected Operations Cloud or increasing competition, among other reasons. Any failure to increase our revenue as we grow our business could prevent us from achieving profitability on a consistent basis or at all, which would cause our business, financial condition, and results of operations to suffer.

Additionally, we have granted restricted stock units ("RSUs") to our employees and certain non-employees, with such RSUs vesting upon the satisfaction of certain vesting conditions. In the first quarter of fiscal year 2024, we recognized stock-based compensation expense of $49.4 million related to RSUs for which the service condition had been satisfied or partially satisfied. The remaining unrecognized stock-based compensation expense relating to our outstanding RSUs was $555.0 million as of April 29, 2023, representing the remaining expense expected to be recognized as these RSUs vest. Our future operating expenses will include a substantial amount of stock-based compensation expense with respect to these RSUs, as well as any other equity awards we have granted and may grant in the future, which will have an adverse impact on our ability to achieve profitability.

Our rapid growth makes it difficult to evaluate our future prospects and increases the risk that we will not continue to grow at or near historical rates.

We have been growing rapidly over the last several years. As a result, our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. Many factors may contribute to declines in our revenue growth rate, including increased competition, slowing demand for our solution from existing and new customers, a failure by us to continue capitalizing on growth opportunities, terminations of contracts or product returns by our existing customers, the maturation of our business, and macroeconomic factors, among others. Our recent and historical growth should not be considered indicative of our future performance. Even if our revenue continues to increase over the long term, we expect that our revenue growth rate will continue to decline in the future as a result of a variety of factors, including the maturation of our business. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, our growth rates may slow and our business, financial condition, and results of operations could be harmed.

We have a history of losses and may not be able to achieve our profitability targets in the future.

We have incurred losses in all years since our incorporation, and we expect we will continue to incur net losses in future quarters. We incurred net losses of $127.8 million and $135.3 million for our six months ended July 29, 2023 and July 30, 2022, respectively. As a result, we had an accumulated deficit of $1,296.2 million and $1,168.4 million as of July 29, 2023 and January 28, 2023, respectively. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our Connected Operations Cloud, broaden our customer base, expand our sales and marketing activities, including expanding our sales team and customer outcomes team, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, or we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. Revenue growth may slow, or revenue may decline, for a number of possible reasons, including slowing demand for our Connected Operations Cloud or increasing competition, among other reasons. Any failure to increase our revenue as we grow our business could prevent us from achieving our profitability targets, which would cause our business, financial condition, and results of operations to suffer.

Additionally, we have granted restricted stock units ("RSUs") to our employees and certain non-employees, with such RSUs vesting upon the satisfaction of certain vesting conditions. In the second quarter of fiscal year 2024, we recognized stock-based compensation expense of $55.7 million related to RSUs for which the service condition had been satisfied or partially satisfied. The remaining unrecognized stock-based compensation expense relating to our outstanding RSUs was $549.1 million as of July 29, 2023, representing the remaining expense expected to be recognized as these RSUs vest. Our future operating expenses will include a substantial amount of stock-based compensation expense with respect to these RSUs, as well as any other equity awards we have granted and may grant in the future, which will have an adverse impact on our ability to achieve our profitability targets.

We face risks associated with the growth of our business in new use cases.

Historically, most of our revenue has been derived from sales relating to our Applications for use in connection with customers' fleets. In recent periods, we have increased our focus on Applications for use in connection with customers' equipment and sites. We have expanded and plan to continue to expand the use cases of our solution, including those where we may have limited operating experience, and may be subject to increased business, technology, and economic risks that could affect our financial results. Entering new use cases and expanding in the use cases in which we are already operating with new Applications will continue to require significant resources, and there is no guarantee that such efforts will be successful or beneficial to us. Historically, sales to a new customer have often led to additional sales to the same customer or similarly situated customers. To the extent we expand into and within new use cases that are heavily regulated, we will likely face additional regulatory scrutiny, risks, and burdens from the governments and agencies which regulate those markets and industries. While our strategy of building Applications for use in connection with customers' fleets has proven successful in the past, it is uncertain that we will achieve the same penetration and organic growth with respect to Applications for customers' sites and equipment or any other use cases that we pursue. Any failure to do so may harm our reputation, business, financial condition, and results of operations.

If we are unable to attract new customers, our future revenue and results of operations will be harmed.

Our future success depends, in part, on our ability to sell subscriptions to access our Connected Operations Cloud to new customers. Our ability to attract new customers will depend on the perceived benefits and pricing of our solution and the effectiveness of our sales and marketing efforts. Other factors, many of which are out of our control, may now or in the future impact our ability to attract new customers, including:

- potential customers' inexperience with or reluctance to adopt software- and cloud-based solutions in their physical operations;
- potential customers' commitments to or preferences for their existing vendors;
- actual or perceived switching costs;
- the adoption of new, or the amendment of existing, laws, rules, or regulations that negatively impact the utility of, or that require difficult-to-implement changes to, our solution, including deregulation that reduces the need for compliance functionality provided by our Connected Operations Cloud;
- our ability to deliver compliance functionality offered by our solution;
- our failure to expand, retain, and motivate our sales, product, and engineering personnel;
- our failure to successfully expand into new international markets;
- our failure to develop or expand relationships with existing channel or original equipment manufacturer ("OEM") partners or to attract new channel or OEM partners;
- our failure to develop our application ecosystem and integrate with new applications and devices used by potential customers;
- our failure to help potential customers successfully deploy and use our solution; and
- general macroeconomic conditions, including elevated inflation and interest rates, financial distress caused by recent or potential bank failures and other recent financial, economic, and political events that may impact our customers and the industries in which they operate.

If our efforts to attract new customers are not successful, our business, financial condition, and results of operations will suffer.

If we are unable to retain and expand our relationships with existing customers, our financial position and results of operations will be harmed.

To maintain or improve our results of operations, it is important that our customers renew their subscriptions to our Connected Operations Cloud when existing contract terms expire and that we expand our commercial relationships with our existing customers. Our contracts are typically for a subscription term of three to five years. However, our customers have no obligation to renew their subscriptions after the initial terms expire, and our customers might not renew their subscriptions for a similar contract period, on the same payment terms, with the same or greater number of Applications and IoT devices, or at all. In the past, some of our customers have elected not to renew their subscriptions with us, and it is difficult to accurately predict long-term customer retention, in part due to our limited experience with renewal cycles to date. retention. Customers may choose not to renew their subscriptions for many reasons, including the belief that our solution is not required for their business needs or is otherwise not cost-effective, a desire to reduce discretionary spending in response to macroeconomic or other factors, our discontinuation of a desired application or loss of applicable regulatory certifications, a dissatisfaction with their overall customer experience, or a belief that our competitors' offerings provide better value. Additionally, our customers might not renew for reasons entirely out of our control, such as mergers and acquisitions that affect our customer base, the dissolution of their business or business unit utilizing our solution, or an economic downturn affecting their industry. A decrease in our renewal rate would have an adverse effect on our business, financial condition, and results of operations.

A part of our growth strategy is to sell additional subscriptions to Applications and expand use cases with our existing customers. Our ability to sell subscriptions to new Applications will depend in significant part on our ability to anticipate industry evolution, practices, and standards. Additionally, we will need to continue to enhance existing Applications and introduce new Applications and features on a timely basis to keep pace with technological developments both within our industry and in related industries, and to remain compliant with any federal, state, local, or foreign regulations that apply to us or our customers. However, we may prove unsuccessful either in developing new Applications or in expanding the set of third-party applications and devices with which our Applications integrate, particularly as we expand our solution into use cases that have not been our historical focus and as we continue to refine our efforts to hire, develop, and retain engineering talent. In addition, the success of any enhancement or new Application depends on several factors, including the timely completion, introduction, and market acceptance of the enhancement or Application. Any new Applications we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue, particularly with respect to use cases that have not been our historical focus. If any of our competitors implements new technologies before we can implement them or better anticipates the innovation and integration opportunities in related industries, our business may be adversely affected.

Another part of our growth strategy is to sell additional subscriptions to existing customers as they increase their number of connected assets, such as machinery, vehicles, warehouses, and factories. However, our customers may not continue to grow and expand their fleet and physical operations, or may opt not to purchase additional subscriptions from us to cover their broader or expanded operations. A decrease in our ability to sell additional subscriptions to our Connected Operations Cloud to our existing customers could have an adverse effect on our business, financial condition, and results of operations.

We rely heavily on direct sales to sell subscriptions to access our Connected Operations Cloud.

We market and sell subscriptions to access our Connected Operations Cloud primarily through a direct sales model, and we must expand our sales organization to increase our sales to new and existing customers. We expect to continue expanding our direct sales force, both domestically and internationally, particularly our direct sales organization focused on sales to large organizations. We also expect to dedicate significant resources to sales programs that are focused on these large organizations. Once a new customer begins using our Connected Operations Cloud, our sales team will need to continue to focus on expanding use of our Connected Operations Cloud by that customer, including increasing the number of our IoT devices and Applications used by that customer and expanding their deployment of our Applications across other use cases. All of these efforts will require us to invest significant financial and other resources. We have also experienced turnover in our sales team members, including within the senior leadership of our sales team, which often results in costly training, operational inefficiency, and potential execution risks. If we are unable to expand and successfully onboard our sales force and new sales leaders at sufficiently high levels, our ability to attract new customers may be harmed, and our business, financial condition, and results of operations would be adversely affected. In addition, we may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales programs are not effective.

In order to increase our revenue, we expect we will need to further build our direct sales capacity while also developing channel partners who will require training, support, and integration into our sales process. Additionally, our entry into any new markets and use cases will require us to develop appropriate internal sales capacity or channel partners and to train internal or external sales teams to effectively address these markets. If we are unsuccessful in these efforts, our ability to grow our business will be limited, and our business, results of operations, prospects, and financial condition will be adversely affected.

Our current system of direct sales may not prove effective in maximizing sales of subscriptions to access our Connected Operations Cloud. Our solution is complex and certain sales can require substantial effort and outlay of cost and resources, either by us or our channel partners. It is possible that our sales team members or channel partners will be unable or unwilling to dedicate appropriate resources to support those sales. If we are unable to develop and maintain effective sales incentive programs for our internal sales team members and channel partners, we may not be able to incentivize these parties to sell our solution to customers and, in particular, to large organizations. The loss of one or more of our sales team members or channel partners in a given geographic area could harm our results of operations within that area, as sales team members and channel partners typically require extensive training and take several months to achieve acceptable productivity.

The length of our sales cycle can be unpredictable, particularly with respect to sales to large customers, and our sales efforts may require considerable time and expense.

It is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers. Customers with substantial or complex organizations may choose to deploy our solutions solution in large increments on a periodic basis. Accordingly, customers may purchase subscriptions for significant dollar amounts on an irregular and unpredictable basis. Because of the nature of our business, we cannot predict the timing or cost of these sales and deployment cycles. Variations in the sales cycles among our customers based on the size and complexity of their operations, as well as the possibility that customers may purchase new subscriptions sporadically with short lead times, may adversely impact our ability to anticipate the timing and amount of revenue and contract value from new customers.

In particular, part of our strategy is to target sales to larger customers. Sales to larger customers involve risks that may not be present or that are present to a lesser extent with sales to smaller organizations, such as longer sales cycles (which typically last several months and, in some cases, have exceeded one year), more complex customer product requirements and expectations related to invoicing and payment terms, substantial upfront sales costs, and less predictability in completing some of our sales. For example, large customers may often require considerable time to evaluate and test our solution prior to purchasing a subscription. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our solution, the discretionary nature of purchasing and budget cycles, the competitive nature of evaluation and purchasing approval processes, the customer's contemplated use case, the specific deployment plan of each customer, the complexity of the customer's organization, and the difficulty of such deployment, as well as whether a sale is made directly by us or through resellers or other partners. Moreover, large customers often begin to deploy our solution on a limited basis but nevertheless may require a greater level of support from our customer support personnel and negotiate pricing discounts, which increases our upfront investment in the sales effort with no guarantee that sales to these customers will justify our substantial upfront investment. If we fail to effectively manage these risks associated with sales cycles, sales timing uncertainty, sales to large customers and collection of payment from our customers, our business, financial condition, and results of operations may be adversely affected.

Our ability to achieve customer renewals and increase sales of subscriptions to our products solution is dependent on the quality of our customer outcomes team, and our failure to offer high quality support would have an adverse effect on our business, reputation, and results of operations.

Our customers depend on our customer outcomes team to resolve issues and realize the full benefits relating to our Connected Operations Cloud. If we do not succeed in helping our customers quickly resolve post-deployment issues or provide effective ongoing support and education on our Connected Operations Cloud, our ability to sell additional subscriptions to, or renew subscriptions with, existing customers or expand the value of existing customers' subscriptions would be adversely affected and our reputation with our customers could be damaged. Many large customers have more complex IT environments and require higher levels of support than smaller customers. If we fail to meet the requirements of these larger customers, it may be more difficult to grow sales with them.

Additionally, it can take several months to recruit, hire, and train qualified engineering-level customer support employees. We may not be able to hire such employees fast enough to keep up with demand, particularly if the sales of subscriptions to our products solution exceed our internal forecasts. To the extent that we are unsuccessful in hiring, training, and retaining adequate customer support employees, our ability to provide adequate and timely support to our customers, and our customers' satisfaction with our products, solution, will be adversely affected. Our failure to provide and maintain high-quality support services would have an adverse effect on our business, reputation, and results of operations.

Our dependence on a limited number of joint design manufacturers and suppliers of manufacturing services and critical components within our supply chain for our IoT devices may adversely affect our ability to sell subscriptions to our Connected Operations Cloud, our margins, and our results of operations.

Our IoT devices are made using a primarily outsourced manufacturing business model that utilizes joint design manufacturers. We depend on a limited number of joint design manufacturers, and in some instances, a single joint design manufacturer, to allocate sufficient manufacturing capacity to meet our needs, to produce IoT devices, or components thereof, of acceptable quality at acceptable yields, and to deliver those devices or components to us on a timely basis. We are subject to the risk of shortages and long lead times in the supply of these devices and components. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. We have in the past experienced and may in the future experience component shortages, and the availability of these components may be unpredictable. For example, over the last several fiscal years, there has been an ongoing global silicon component shortage, which has resulted in increases in the cost of devices and components and delays in shipments of goods across many industries, including components used in our IoT devices. Global transportation and freight networks have also been strained as a result of COVID-19, geopolitical conflicts, labor disputes, and other factors, which has caused freight shipping costs and lead times to increase. Increases in the cost of devices or components, or freight to transport those items, could negatively impact our gross margins and cash flow margins.

Our manufacturers and suppliers will continue to face the risk of temporary or permanent disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, disease outbreaks (such as prior outbreaks of the COVID-19 pandemic) and resulting lockdowns, geopolitical disputes (such as ongoing conflicts between China and other countries), civil unrest, hostilities or wars (such as the ongoing conflict between Russia and Ukraine), component or material shortages, cost increases, acquisitions, insolvency, changes in legal or regulatory requirements, or other similar problems. Our joint design manufacturers and suppliers have a large presence in

Taiwan. Any increase in tensions between China and Taiwan, including threats of military actions or escalation of military activities, could adversely affect our manufacturing and supply partners' operations in Taiwan and secondary locations in Asia. Although we have extended our supply orders to the latest quoted lead times and have made preemptive spot purchases to build out our inventory, we cannot guarantee that we will have sufficient inventory for our needs or that future disruptions to our supply of IoT devices or materials will not occur. Any delay in the shipment of IoT devices or any other necessary materials delays our ability to recognize revenue for subscriptions purchased by our customers.

In addition, some of our suppliers, joint design manufacturers, and logistics providers may have more established relationships with larger volume device manufacturers, and as a result of such relationships, such suppliers may choose to limit or terminate their relationship with us. For example, in light of the ongoing silicon component shortage, we expect that our suppliers' larger volume customers will be able to exert more influence to purchase components from our suppliers than us, and accordingly we bear significant risk if we are unable to successfully source components for our IoT devices. Developing suitable alternate sources of supply for these devices and components may be time-consuming, difficult, and costly, and we may not be able to source these devices and components on terms that are favorable to us, or at all, which may adversely affect our ability to meet our requirements or provide our customers with needed IoT devices in a timely or cost-effective manner. Because our customers often must install IoT devices before being able to fully utilize our Connected Operations Cloud, any interruption or delay in the supply of any of these devices or components, or the inability to obtain these devices or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to onboard new customers.

Managing the supply of our IoT devices is complex. Insufficient supply and inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our margins.

Our third-party manufacturers and suppliers procure components for our IoT devices based on our forecasts, and we generally do not hold significant inventory for extended periods of time. These forecasts are based on estimates of future demand for our products, solution, which can be adjusted based on historical trends and analysis and for overall market conditions, and we cannot guarantee the accuracy of our forecasts. In order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue forecasts for components and products that are non-cancelable and nonreturnable.

Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to forecast accurately and effectively manage supply of our IoT devices. Supply management remains an increased area of focus as we balance the need to maintain supply levels that are sufficient to ensure competitive lead times against the risk of obsolescence because of rapidly changing technology and end-customer requirements. If we ultimately determine that we have excess and obsolete supply, we may have to record a reserve for excess manufacturing costs or reduce our prices and write-down inventory, either of which in turn could result in lower margins. Alternatively, insufficient supply levels may lead to shortages that result in delayed revenue or loss of sales opportunities altogether as potential end customers are unable to access our Connected Operations Cloud and, as a result, turn to competitors' products that are readily available. Additionally, any increases in the time required to manufacture our IoT devices or ship these devices could result in supply shortfalls. If we are unable to effectively manage our supply and inventory, our results of operations could be adversely affected.

We may not be able to successfully execute our strategic initiatives or meet our long-term financial goals.

A significant part of our business strategy is to focus on long-term growth over short-term financial results. For example, for the three six months ended April 29, 2023 July 29, 2023, we increased our operating expenses to $222.6 million $452.7 million as compared to $173.2 million $348.3 million for the three six months ended April 30, 2022 July 30, 2022. We expect to continue making significant expenditures on sales, hiring and marketing efforts, and expenditures to develop new features, integrations, capabilities, and enhancements to our solution and further expand the use cases addressed by our Applications. We have been engaged in strategic initiatives to expand the scope of our core business to improve long-term stockholder value, to improve our cost structure and efficiency, and to increase our selling efforts and develop new business, and we expect to continue making significant expenditures in pursuit of these initiatives. We may not be able to successfully execute these or other strategic initiatives or execute these initiatives on our expected timetable. If we are not successful in expanding our use cases and obtaining operational efficiencies, our business, financial condition, and results of operations could be harmed.

If we are not able to develop and timely introduce new Applications and features for our Connected Operations Cloud that achieve market acceptance, keep pace with technological developments, and meet existing and emerging regulatory requirements, our business, financial condition, and results of operations would be harmed.

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing Applications and to introduce compelling new Applications and features that reflect the changing nature of our customers' needs and the regulations to which they are subject. The success of any enhancement to our Connected Operations Cloud depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and our Data Platform, and overall market acceptance. Factors outside of our control, such as developing laws and regulations, regulatory orders, competitive product offerings, and changes in demand for our solution may also materially impact the successful implementation of new Applications. Any new application that we develop may not be introduced in a timely or cost-effective manner, may contain bugs or other defects, or may not achieve the market acceptance necessary to generate significant revenue.

Further, the development of new Applications can be difficult, time-consuming, and costly. There are inherent risks and uncertainties associated with offering new Applications, especially when new markets are not fully developed, related technology standards are not mature, or when the laws and regulations regarding a new application are evolving. If we are unable to successfully develop and timely introduce new Applications, enhance our existing Connected Operations Cloud to meet customer requirements, or otherwise gain market acceptance, our business, financial condition, and results of operations would be harmed.

If we fail to effectively manage our growth, our business and results of operations could be harmed.

We have experienced and expect to continue to experience rapid growth, which has placed, and may continue to place, significant demands on our management, operational, and financial resources and systems. In addition, we operate globally and sell subscriptions to our products solution to customers in many countries, and we plan to continue to expand our operations internationally in the future. We have also experienced significant growth in the number of customers, IoT devices and connected assets, and data supported by our solution and our associated infrastructure, which has placed additional demands on our resources, systems, and operations. To manage our current and anticipated future growth effectively, we must continue to maintain and enhance our finance, accounting and general business processes, and systems and controls, as well as our IT and security infrastructure. We must also attract, develop, and retain a significant number of qualified personnel without undermining our culture of focusing on customer success, building for the long term, adopting a growth mindset, being inclusive, and winning as a team that has been central to our growth. We will require significant expenditures and the allocation of management resources to grow and change in these areas. If we fail to successfully manage our anticipated growth, the quality of our Connected Operations

Cloud may suffer, which could negatively affect our brand and reputation, harm our ability to retain and attract customers, and adversely impact our business, financial condition, and results of operations.

We face intense and increasing competition, and we may not be able to compete effectively, which could reduce demand for our solution and adversely affect our business, revenue growth, and market share.

The markets for the Applications and use cases for which we compete are new and rapidly evolving. Our historical competition has been specific to the individual solution sets that we target, or specific to operational groupings like fleets or facilities. For example, certain of our Applications compete with:

- vendors like Omnitracs, Verizon Connect and Geotab who provide a set of tools and reports focused on driver management, GPS tracking, asset tracking, and compliance;
- vendors like Lytx and SmartDrive who provide safety-focused standalone cameras and coaching tools;
- vendors focusing on equipment location tracking and diagnostics like Orbcomm and ZTR, as well as customer-developed solutions for more advanced or specialized monitoring and control solutions; or
- security, surveillance, and access control vendors like Avigilon, a Motorola Solutions company, that specialize in video analytics, artificial intelligence (“AI”), and network video management software.

Competition in these markets is based on several factors, including the comprehensiveness of a solution; feature set breadth and extensibility; analytical capability; ease of adoption; platform reliability, security and scalability; customer support; ability to realize cost savings and return on investment; brand awareness and reputation; and the strength of sales and marketing efforts and channel partnerships.

Some of our competitors may have greater financial resources, greater brand recognition, larger and more effective sales forces and marketing resources than us, as well as broader distribution networks. Large corporations, in particular, may be able to utilize their distribution networks and existing relationships to offer fleet management solutions, in addition to solutions in other verticals already being provided to customers. We expect additional competition as our market grows and rapidly changes, and we may choose to enter or expand into new markets as well. For example, we rely upon Amazon for AWS web hosting, and we do not currently have an alternative provider. If Amazon decided to compete with us and did not allow us to renew our commercial agreement, this may have a significant impact on our solution and would require that we allocate time and expense to setting up our Connected Operations Cloud on an alternative hosting service. We expect competition to increase as other established and emerging companies, such as Motive, Netradyne, Platform Science, and Verkada, enter the markets in which we compete, as customer requirements evolve, and as new products and services and technologies are introduced. Certain of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing, distribution, professional services, or other resources and greater name recognition than we do. In addition, certain of our current and potential competitors have strong relationships with current and potential customers and extensive knowledge of industries with physical operations. As a result, our current and potential competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements or devote greater resources than we can to the development, promotion, and sale of their products and services. Moreover, certain of these companies are bundling their products and services into larger deals or subscription renewals, often at significant discounts as part of a larger sale. In addition, some current and potential competitors may offer products or services that address one or a limited number of functions at lower prices or with greater depth than our solution. Our current and potential competitors may develop and market new technologies with comparable functionality to our solution. As a result, we may experience reduced gross margins, longer sales cycles, less favorable payment terms, and loss of market share. This could lead us to decrease prices, implement alternative pricing structures, or introduce products and services available for free or a nominal price in order to remain competitive. We may not be able to compete successfully against current and future competitors, and our business, financial condition, and results of operations will be harmed if we fail to meet these competitive pressures.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future channel partners, OEM partners, integration partners, and other strategic technology companies. By doing so, these competitors may increase their ability to meet the needs of our existing or potential customers. In addition, our current or prospective indirect sales channel partners may establish cooperative relationships with our current or future competitors. These relationships may limit our ability to sell our solution through specific distributors, technology providers, and distribution channels and allow our competitors to rapidly gain significant market share. These developments could limit our ability to obtain revenue from existing and new customers. If we are unable to compete successfully against current and future competitors, our business, financial condition, and results of operations would be harmed.

If we experience a security breach or incident affecting our customers’ assets or data, our data or IoT devices, our Data Platform, or other systems, our Connected Operations Cloud may be perceived as not being secure or safe, our reputation may be harmed, and our business could be materially and adversely affected.

As part of our business, we process, store, and transmit our customers’ information and data as well as our own, including in our Data Platform, networks, and other systems, and we also rely on third parties that are not directly under our control to do so. We and many of our third-party partners, including our subprocessors and service providers, have security measures and disaster response plans in place that are designed to help protect our customers’ data, our data, our solution, and other systems against unauthorized access. However, we cannot assure you that these security measures and disaster response plans will be adequate or effective against all security threats, including those from malicious insiders, ransomware and other malware, denial of service and other attacks, and natural disasters and other sources of disruptions to the operation of our Connected Operations Cloud or our or our third-party partners’ operations, including power outages and telecommunications and other failures. Our or our third-party partners’ systems and security measures may be breached, otherwise compromised, fail, or be disrupted as a result of actions by malicious insiders or third parties (including nation-state actors, such as those acting in connection with ongoing geopolitical tensions), such as intentional misconduct by computer hackers, phishing (including by impersonating us through using domain names that are confusingly similar to ours) and other means of social engineering, including fraudulent inducement of employees or customers to disclose usernames, passwords, or other sensitive information, and employee or contractor error or malfeasance. For example, as a result of the ongoing conflict between Russia and Ukraine, the U.S. government has issued a “Shields Up” alert and other warnings for American organizations noting the potential for Russia’s cyber attacks on Ukrainian government and critical infrastructure organizations to impact organizations in the United States. If such an attack were to occur and were to impact us or our third-party partners, the relevant systems and security measures may provide inadequate protection. In addition, advances in computer capabilities, new technological discoveries or other developments may result in cyberattacks becoming more sophisticated and more difficult to detect. Any breach, incident, compromise, or failure of, or impacting, our systems or those of our third-party partners could result in the loss, corruption, or unavailability of our or our customers' data, loss of intellectual property, someone obtaining unauthorized access to, modifying, exfiltrating, or otherwise processing without authorization our customers' data or our data, or disrupting or obtaining unauthorized access to our Data Platform or other systems. Because a security breach or incident could materialize and techniques used by malicious actors continue to evolve, we and our third-party partners may be unable to anticipate security breaches or incidents and implement adequate preventative measures. We incur significant costs in our efforts to detect and prevent security breaches and other security-related incidents and we expect to incur additional costs in connection with improvements to our systems and processes in ongoing efforts to prevent such breaches and incidents. In the event of a future breach or incident, we could be required to expend additional significant capital and other resources to prevent further breaches or incidents, which may require us to divert substantial resources. Moreover, we could be required or otherwise find it appropriate to expend significant capital and other resources to respond to, notify third parties of, and otherwise address the incident or breach and its root cause.

Third parties may also conduct attacks designed to temporarily deny customers access to our Connected Operations Cloud or disrupt or otherwise impede such access or our Applications' performance. Our presence in the IoT industry with offerings of telematics products and services, including vehicle telematics, could also increase our exposure to potential costs and expenses and reputational harm in the event of cyber-attacks or vulnerabilities impacting our solution. For example, in July 2020, the U.S. Federal Bureau of Investigation issued a private industry notification alerting industry participants to cyber-threats targeted at electronic logging devices ("ELDs"). Compromise of our IoT devices could pose a health and safety hazard to the extent that a malicious actor exploits a vulnerability that allows for control of or interference with the operation of our customers'equipment. Any actual or perceived security breach or incident affecting our Data Platform or other aspects of our systems, networks, or operations, such as a denial of service attack or other disruption to our Connected Operations Cloud, affecting data we or our service providers process or maintain, or affecting our customers' equipment or operations could result in a loss of customer confidence in the security, integrity, or integrity safety of our solution and damage to our brand and reputation, reduce the demand for our solution, disrupt our normal business operations, require us to spend material resources to correct the breach or incident and otherwise respond to it, expose us to legal liabilities, including claims and litigation by private parties, regulatory investigations and other proceedings, fines, penalties, and indemnity obligations, and materially and adversely affect our financial condition and results of operations. These risks will increase as we continue to grow the scale and functionality of our Connected Operations Cloud and as we store, transmit, and otherwise process increasingly large amounts of information and data, which may include proprietary, sensitive or confidential data, or personal or identifying information. Our liability in connection with any security breaches, incidents, cyberattacks, or other disruptions to our solution or operations may not be adequately covered by insurance, and such events may result in an increase in our costs for insurance or insurance not being available to us on economically feasible terms, or at all. Insurers may also deny us coverage as to any future claim. Any of these results could harm our growth prospects, financial condition, business, and reputation.

Abuse or misuse of our internal platform controls and system tools could cause significant harm to our business and reputation.

In order to provide real-time support to our customers, we have created internal platform controls and system tools that are used by our employees to diagnose and correct customer issues. If our employees were to intentionally abuse these platform controls and system tools, for example, by interfering with or altering our IoT devices or our customers' connected assets and accessing our customers' data, or otherwise violate company policies, our customers could be significantly harmed. For example, our employees have historically had broad access to customers' video footage, and although we have implemented greater access controls over time, such controls may not ensure that our employees' use of customers' video footage is in all cases appropriate. Additionally, some of our Applications have features allowing them to control large industrial assets, interact with the data port of commercial motor vehicles ("CMVs"), and immobilize CMVs through their ignition line; any abuse or misuse of these capabilities could cause substantial disruption or damage to our customers. Any abuse or misuse by our employees of our internal platform controls and system tools, even if inadvertent, could result in potential legal liability and reputational damage to both our customers and us. Accordingly, any improper conduct, abuse or misuse, intentional or otherwise, of our platform controls and system tools could significantly and adversely harm our business and reputation.

We are continuing to implement access controls to limit employee access to our platform controls and system tools in an effort to further improve security and reduce the risk of human error or malfeasance. If it became necessary to further restrict the availability or use of our platform controls and system tools by our employees in response to any abuse or misuse, our ability to deliver high-quality and timely customer support could be harmed.

Business disruptions or performance problems associated with our technology and infrastructure, including interruptions, delays, or failures in service from our third-party data center hosting facilities and other third-party services, could adversely affect our results of operations.

Continued adoption of our solution depends in part on the ability of our existing and potential customers to access our solution within a reasonable amount of time. We have experienced, and may in the future experience, disruptions, data loss, outages, and other performance problems with our solution and infrastructure due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, or other security-related incidents. If our solution is unavailable or if our users and customers are unable to access our solution within a reasonable amount of time, or at all, we may experience a decline in renewals, damage to our brand, or other harm to our business. The impact upon our customers may be further heightened by the nature of our solution connecting to their physical infrastructure, which may impede or harm their fleet, equipment, sites, or other physical operations. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition, and results of operations could be adversely affected.

A significant portion of our critical business operations are concentrated in the United States and are supported by third-party hosting facilities located in Oregon. We are a highly automated business, and a disruption or failure of our systems, or of the third-party hosting facilities and other third-party services that we use, could cause delays in completing sales and providing services. For example, from time to time, our data center hosting facilities have experienced outages. The causes for such disruptions or failures could also include a major earthquake, blizzard, fire, cyber-attack, act of terrorism, or other catastrophic event, a decision by one of our third-party service providers to close facilities that we use without adequate notice, or other unanticipated problems with the third-party services that we use, including a failure to meet service standards.

Interruptions or performance problems with either our technology and infrastructure or our data center hosting facilities could, among other things:

- result in the destruction or disruption of any of our critical business operations, controls, or procedures or information technology systems;
- severely affect our ability to conduct normal business operations;
- result in a material weakness in our internal control over financial reporting;
- cause our customers to terminate their subscriptions;

- result in our issuing credits or paying penalties or fines;
- harm our brand and reputation;
- adversely affect our renewal rates or our ability to attract new customers; or
- cause our solution to be perceived as not being secure.

Any of the above could adversely affect our business, financial condition, and results of operations.

We rely on third-party software for certain essential financial and operational services, and a failure or disruption in these services could materially and adversely affect our ability to manage our business effectively.

We rely on third-party software to provide many essential financial and operational services to support our business, including enterprise resource planning, customer relationship management, and human capital management. Many of these vendors are less established and have shorter operating histories than traditional software vendors. Moreover, many of these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. As a result, we depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in our business processes. Any failure by these vendors to do so, or any disruption in our ability to access the internet, would materially and adversely affect our ability to effectively manage our operations.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, or changing customer needs, requirements or preferences, our Connected Operations Cloud may become less competitive.

The industries in which we operate are subject to rapid technological change. The introduction of new technologies will continue to have a significant effect on competitive conditions to which we are subject. In order to continue to provide value for our customers, we must offer innovative Applications that allow our customers to track and manage their fleets, equipment, sites, and other connected assets on a timely basis. Certain technologies and industry developments, such as autonomous vehicles with closed software ecosystems, may negatively impact our ability to compete within certain industries. Even if such software ecosystems were not entirely closed to our solution, autonomous vehicles may reduce the overall demand for vehicular Applications that provide safety and compliance functionality. If we are unable to develop new Applications that provide utility to our customers and provide enhancements and new features for our existing Applications that keep pace with rapid technological and regulatory change, our revenues and results of operations could be adversely affected.

To keep pace with technological and competitive developments, we have in the past invested, and may continue to invest, in complementary businesses, technologies, products, services, and other assets that expand the Applications that we can offer our customers. We may make these investments without being certain that they will result in products or enhancements that will be accepted by existing or prospective customers or that will achieve market acceptance. If we are unable to successfully enhance our Connected Operations Cloud to meet evolving customer requirements, increase adoption and use cases of our solution, and develop new Applications and features, then our business, financial condition, and results of operations would be adversely affected.

We rely on industry standards and technology developed and maintained outside of our control. For example, many of our Applications depend on cellular, GPS, and Wi-Fi technology and are built upon such technologies. We do not control the development of such technologies, and so it may be possible in the future that the components of the underlying technologies that interface with or are built into our solution develop in ways that are not beneficial to our growth and technological capabilities. If these technologies do not continue to be improved or are replaced with alternative technologies that we do not effectively adapt to, our ability to innovate may be diminished and our market appeal and value to customers may be harmed.

Our Connected Operations Cloud relies on cellular and GPS networks and any disruption, failure, or increase in costs of these networks could adversely affect the functionality of our solution and impede our profitability and harm our results of operations.

Two critical links in our current applications are between IoT devices and GPS satellites and between IoT devices and cellular networks, which allow us to obtain location and other operational data and transmit that data to our Data Platform. Service outages occurring in the cellular network upon which our Connected Operations Cloud relies have affected and may in the future adversely affect the functionality of our solution. Moreover, technologies that rely on GPS depend on the use of radio frequency bands, and any modification of the permitted uses of these bands may adversely affect the functionality of GPS and, in turn, our solution.

Additionally, increases in the fees charged by cellular carriers for data transmission, changes to the conditions by which our cellular carriers provide service on their or their partners' networks, or changes in the cellular networks themselves, such as a cellular carrier discontinuing support of the network currently used by our or our customers' IoT devices, could increase our costs and impact our profitability. Mobile carriers regularly discontinue radio frequency technologies as they become obsolete. If we are unable to design our solutions solution into new technologies, such as 5G and satellite communications, our business, financial condition, and results of operations could be harmed.

If we do not develop IoT devices that are compatible with third-party hardware, software, and infrastructure, including the many evolving wireless industry standards, our ability to introduce and sell new subscriptions to access our Connected Operations Cloud could suffer.

In order to support customers' adoption of our Connected Operations Cloud, we develop IoT devices that are compatible with a wide variety of hardware, software, and infrastructure. Not only must we ensure our IoT devices are compatible with applications and technologies developed by our partners and vendors, but we must also ensure that our IoT devices can interface with third-party hardware, software, or infrastructure that our customers may choose to adopt. To the extent that a third party were to develop software applications or IoT devices that compete with ours, that provider may choose not to support our solution. In particular, our ability to accurately anticipate evolving wireless technology standards and ensure that our IoT devices comply with these standards in relevant respects is critical to the functionality of our IoT devices. Any failure of our IoT devices to be compatible or comply with the hardware, software, or infrastructure—including wireless communications standards—utilized by our customers could prevent or delay their implementation of our Connected Operations Cloud and require costly and time-consuming engineering changes. Additionally, if an insufficient number of wireless operators or subscribers adopt the standards to which we design our IoT devices, our ability to introduce and sell subscriptions to our Connected Operations Cloud would be harmed.

The competitive position of our Connected Operations Cloud depends in part on its ability to operate with a wide variety of data sources and infrastructure, and if we are not successful in maintaining and expanding the compatibility of our solutions solution with such data sources and infrastructure, our business, financial condition, and results of operations could be adversely impacted.

The competitive position of our Connected Operations Cloud depends in part on its ability to operate with a wide array of physical sensors and devices—including IoT devices manufactured by us and by third parties, other software and database technologies, and communications, networking, computing, and other infrastructure. As such, we must continuously modify and enhance our Connected Operations Cloud to be compatible with evolving hardware, software, and infrastructure that are used by our current and potential partners, vendors, and customers. In the future, one or more technology companies may choose not to support the interoperation of their hardware, software, or infrastructure with solutions such as ours, or our solutions solution may not otherwise support the capabilities needed to operate with such hardware, software, or infrastructure. We intend to facilitate the compatibility of our Connected Operations Cloud with a wide variety of hardware, software, and infrastructure by maintaining and expanding our business and technical relationships. If we are not successful in achieving this goal, our business, financial condition, and results of operations could be adversely impacted.

Our ability to grow our business is dependent in part on strategic relationships we develop and maintain with third parties.

We believe that our ability to increase our sales depends in part on maintaining and strengthening relationships with parties such as channel partners, OEM partners, integration partners, and other strategic technology companies. Once a relationship is established, we likely will dedicate significant time and resources to it in an effort to advance our business interests, and there is no assurance that any strategic relationship will achieve our business purposes or that the resources we use to develop the relationship will be cost-effective. Parties with whom we establish strategic relationships also work with companies that compete with us. We have limited, if any, control as to whether these parties devote adequate resources to our strategic relationships. Further, companies with whom we maintain strategic relationships may de-emphasize their dealings with us or become competitors in the future. We also have limited, if any, control as to other business activities of these parties, and we could experience reputational harm because of our association with such parties if they fail to execute on business initiatives, are accused of breaking the law, or suffer reputational harm for other reasons. All of these factors could materially and adversely impact our business and results of operations.

We may not be able to maintain and expand our business if we are not able to hire, retain, and manage qualified personnel, and in particular, our key personnel.

Our success in the future depends in part on the continued contribution of our executive, technical, engineering, sales, marketing, operations, and administrative personnel, particularly Sanjit Biswas, our Chief Executive Officer and co-founder, and John Bicket, our Chief Technology Officer and co-founder, as well as our ability to attract and retain additional qualified management and employees. Recruiting and retaining skilled personnel in the industries in which we operate, including engineers and other technical staff and skilled sales and marketing personnel, is highly competitive. In addition, the success of any future acquisitions depends in part on our retention and integration of key personnel from the acquired company or business. In response to competition, labor shortages, elevated inflation rates, and other market conditions, we may need to adjust employee cash compensation, which would affect our operating costs and our margins. In addition, we have adjusted and may in the future need to adjust employee equity compensation as a result of these factors, including by issuing retention grants and other additional equity awards, which would affect our outstanding share count, cause dilution to existing shareholders, and affect our results of operations.

Although we may enter into employment agreements with members of our senior management and other key personnel, these arrangements are at-will and do not prevent any of our management or key personnel from leaving the company. If we are not able to attract or retain qualified personnel in the future, or if we experience delays in hiring required personnel, particularly qualified technical and sales personnel, we may not be able to maintain and expand our business.

Further, we rely in part on direct sales employees to sell subscriptions to our products solution in the United States and internationally. We are focused on increasing the size and effectiveness of our sales force, marketing activities, sales management team, and corporate infrastructure, as well as exploring further relationships with third-party resellers and channel partners. We intend to continue increasing the size of our current direct sales organization and to more efficiently leverage our expanded sales force to increase sales coverage for our solution. We cannot assure you that we will be able to attract and retain the additional personnel necessary to grow and expand our business and operations. Further, we expect that the onboarding of new sales and marketing personnel, including new sales team leaders, will take considerable time to enable new employees to ramp up to full productivity. If we are unable to expand our sales force at sufficiently high levels and onboard new sales personnel successfully, our ability to attract new customers may be harmed, and our business, financial condition, and results of operations would be adversely affected. In addition, any failure to adequately train our employees on how to communicate the uses and benefits of our solution to potential and existing customers may prevent us from increasing our market share and revenue. If we fail to identify, attract, retain, and motivate these highly skilled personnel, we will be unable to achieve our growth expectations, and our business, financial condition, and results of operations may be harmed.

To attract and retain key personnel, we use various measures, including an equity incentive program. As we continue to mature, the incentives to attract, retain, and motivate employees provided by our programs or by future arrangements may not be as effective as in the past. We have numerous current employees who hold equity in our company or whose equity awards were or became substantially vested upon the completion of our IPO. As a result, it may be difficult for us to retain and motivate these employees, and the value of their holdings could affect their decisions about whether or not they continue to work for us. Further, our ability to attract, retain, and motivate employees may be adversely affected by actual or expected declines in our stock price. If we issue significant equity to attract employees or to retain our existing employees, we will incur substantial additional stock-based compensation expense and the ownership of our existing stockholders would be further diluted.

If we cannot maintain our company culture, our success and our business and competitive position may be harmed, and our attempts to operate under a flexible work model may not be successful and may adversely impact our business.

We believe that our success to date has been driven in large part by our company’s cultural principles of focusing on customer success, building for the long term, adopting a growth mindset, being inclusive, and winning as a team. As we mature, we may find it difficult to maintain these important aspects of our culture, especially in a flexible work environment in which we have limited experience operating. It is possible that continued widespread remote or flexible work arrangements may have a negative impact on our operations, the execution of our business plans, the productivity of key personnel and other employees necessary to conduct our business, or otherwise cause operational failures.

Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As a result, if we fail to maintain our company culture, our business and competitive position may be harmed.

If we are not able to maintain and enhance our brand, our business, financial condition, and results of operations may be harmed.

We believe that maintaining and enhancing our reputation as a differentiated and category-defining company is critical to our relationships with our existing customers and to our ability to attract new customers. We also believe that the importance of brand recognition will increase as competition in our market increases, and that brand and reputation are particularly important in the physical operations industry given the potential impact of any failure of our solution on the physical operations of our customers. The successful promotion of our brand depends on a number of factors, including our and our channel partners' marketing efforts, our ability to continue to develop high-quality solutions, and our ability to successfully differentiate our Applications from those of competitors. In addition, independent industry analysts provide reviews of our solution and our competitors' products, which could influence the perception of the relative value of our Connected Operations Cloud in the marketplace. If these reviews are negative, or less positive as compared to those of our competitors' products, our brand may be harmed.

The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets, and as more sales are generated through our channel partners. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors, and we could lose customers or fail to attract potential customers, any of which would harm our business, financial condition, and results of operations.

Issues and uncertainty in the development, deployment, and use of AI in our solution and by our customers may subject us to liability and may harm our reputation and operating results.

AI is enabled by or integrated into some of our existing solutions and we expect that it will play an increased role in our future offerings. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed. Datasets may be insufficient or of poor quality or contain biased information. Inappropriate or controversial data practices by data scientists, engineers, and end users of our systems could impair the acceptance of AI solutions. If the recommendations, forecasts, content, or analyses that AI applications assist in producing are or are alleged to be deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Our, or our vendors', use of generative AI technologies could lead to the unauthorized disclosure of sensitive, proprietary, or confidential information and could lead to new potential cyberattack methods for third parties. Some AI scenarios may also present ethical issues. Though our business practices are designed to mitigate many of these risks, if we enable or offer AI solutions that are controversial because of their perceived or real impact on human rights, privacy, employment, or other social issues, we may experience brand or reputational harm. Additionally, potential government regulation related to AI use and ethics may expose us to legal liability and/or increase the burden and cost of research and development in this area, and failure to properly remediate AI usage or ethics issues may cause public confidence in AI to be undermined, which could slow adoption of AI in our solution. For example, the European Commission has proposed a legal framework on Union Artificial Intelligence Act ("EU AI that Act") is currently going through in the European Union ("EU") final negotiation stage of the legislative process. If the European Parliament adopts this proposal in full or in part, it will The EU AI Act is likely to introduce a series of legal and technical obligations and potential restrictions on companies' use and development of AI. Under the proposed EU AI Act, potential fines could reach up to the greater of €30 million and 6% of global annual turnover.

In addition, our competitors, customers, or other third parties may incorporate AI more successfully than us, and their AI solutions may achieve higher market acceptance than ours, which may result in us failing to recoup our investments in developing AI-powered offerings. Uncertainty around new and emerging AI technologies, such as generative AI, may require additional investment in the development of these technologies. Any challenges in deploying our AI-based technologies, or the ability of our competitors to do so more effectively, may negatively impact our gross margins, impair our ability to compete effectively, result in reputational harm, and have an adverse impact on our operating results.

We typically provide service-level commitments under our subscription agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service or face subscription termination with refunds of prepaid amounts, which would lower our revenue and harm our reputation, business, financial condition, and results of operations.

Our subscription agreements typically contain service-level commitments, and our agreements with larger customers may carry higher service-level commitments than those provided to customers generally. If we are unable to meet the stated service-level commitments, including failure to meet the uptime and response time requirements under our customer subscription agreements, we may be contractually obligated to provide these customers with service credits, which could significantly affect our revenue in the periods in which the failure occurs and the credits are applied. We could also face subscription terminations and a reduction in renewals, which could significantly affect both our current and future revenue. We offer multiple tiers of subscriptions to our products solution and, as such, our service-level commitments will increase if more customers choose higher tier subscriptions. Any service-level failures could also damage our reputation, which could also adversely affect our business, financial condition, and results of operations.

A real or perceived defect, security vulnerability, error, or performance failure in our Connected Operations Cloud could cause us to lose revenue, damage our reputation, and expose us to liability, and our product liability insurance may not adequately protect us.

Our Connected Operations Cloud is inherently complex and, despite extensive testing and quality control, has in the past contained and may in the future contain defects or errors, especially when features and Applications are first introduced, or not perform as contemplated. These defects, security vulnerabilities, errors, performance or related failures could cause damage to our reputation, loss of customers or revenue, loss of applicable regulatory certifications, order cancellations, service terminations, or lack of market acceptance of our solution. Our customers within the physical operations industry are particularly sensitive to the reliability of our products solution because a failure or defect in our solution could have a significant impact on their business or employees, including leading to death, serious bodily injury, or noncompliance with applicable regulations. For example, customers of our Applications for connected sites may have heightened expectations in connection with the security provided by such Applications, given our access to video feeds of their work environments. Moreover, because customers use some of our Applications for critical compliance functions, defects or errors in such Applications may expose customers to liability or regulatory enforcement. As the use of our solution, including features and Applications that were recently developed, continues to expand to even more sensitive, secure, or mission-critical uses by our customers, we will be subject to increased scrutiny, potential reputational risk, or potential liability should our solution fail to perform as intended in such deployments. We have in the past needed, and may in the future need, to issue corrective releases to fix these defects, security vulnerabilities, errors or performance failures, which could require us to allocate significant research and development and customer support resources to address these problems. When required to correct device bugs or to implement proactive firmware updates to our IoT devices, we have often implemented over-the-air firmware updates to devices that are deployed in the field. If such updates do not perform as anticipated, they may prolong interruptions and performance problems and otherwise impact our reputation and relationship with our customers. Additionally, an improperly configured or deployed update, or our failure to adequately develop and deploy updated technology, may cause performance or security issues or disable certain devices in the field, as has occurred in the past. Such an error could require us to fix or replace such devices and may harm our relationship with the impacted customer or customers.

In addition, any data that we license from third parties for potential use in our solution may contain errors or defects, which could negatively impact the analytics that our customers perform on or with such data. This may have a negative impact on how our solution is perceived by our current and potential customers and could materially damage our reputation and brand.

The sale and support of our solution entail the risk of liability claims, which could be substantial in light of the use of our solution in enterprise-wide environments. We may not have adequate contractual protections in place with our customers, users, joint-design manufacturers, third-party vendors, service providers, and partners to protect against costs and liabilities resulting from defects in our products solution or components therein. Any limitation of liability, warranty disclaimers, or indemnity provisions that may be contained in these agreements may not be enforceable, adequate, or effective, including as a result of existing or future applicable laws or unfavorable judicial decisions, and they may not function to limit our liability or otherwise protect against costs arising from defects or errors, regulatory enforcement, or otherwise.

In addition, our insurance against this liability may not be adequate to cover a potential claim and may be subject to exclusions, including the possibility that the insurer will deny coverage as to any future claim or exclude from our coverage such claims in policy renewals. The denial of our claims by our insurers or the successful assertion of claims by others 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, financial condition, results of operations, and reputation. Further, there are no assurances that adequate product liability insurance will continue to be available to us in the future on commercially reasonable terms or at all.

Challenges in implementation or incorrect use of, or failure to update, our solution could result in customer dissatisfaction and negatively affect our business and growth prospects.

Our solution is often operated in large scale, distributed IT environments, including across a wide array of IoT devices and connected assets. Implementing our solutions solution in such environments can be a complex and lengthy process, particularly for certain of our customers who are less experienced with respect to the implementation of cloud-based platforms such as ours. On occasion, some of our customers and partners have encountered challenges in implementing our solution, leading them to require training and experience in the proper use of and the benefits that can be derived from our solution to maximize its potential. If our solution is not implemented, used, or updated appropriately, then inadequate performance, exposure of customer data and/or security vulnerabilities can result. Because our customers rely on our software and hardware to manage a wide range of operations, the incorrect implementation or use of, or failure to update, our software and hardware or our failure to train customers on how to use our solution productively may result in customer dissatisfaction, negative publicity and litigation, which may adversely affect our reputation and brand. Failure to effectively provide training and implementation services to our customers could result in lost opportunities for follow-on sales to these customers and decreased subscriptions by new customers, which would adversely affect our business and growth prospects.

We may be subject to product liability, warranty and recall claims that may increase the costs of doing business and adversely affect our business, financial condition, and results of operations.

We are subject to the risk of product liability and warranty claims if our Connected Operations Cloud and our IoT devices actually or allegedly fail to perform as expected or result, or are alleged to result, in bodily injury and/or property damage. Certain technologies incorporated in our IoT devices, such as lithium batteries, and in-cab audio alerts, and immobilizing technologies, may increase the risk profile of such devices. While we maintain what we believe to be reasonable insurance coverage to appropriately respond to such liability exposures, large product liability claims, if made, could exceed our insurance coverage limits and insurance may not continue to be available on commercially acceptable terms, if at all. There can be no assurance that we will not incur significant costs to defend these claims or that we will not experience any product liability losses in the future. In addition, we generally provide our customers a hardware warranty for the entire term of their subscription to our Connected Operations Cloud. If any of our IoT devices are, or are alleged to be, defective, we may be required to participate in recalls and exchanges of such devices or customer claims against us. The future cost associated with providing product warranties and/or bearing the cost of repair or replacement of our products, solution, or a refund of customer expenses, could exceed our historical experience and have a material adverse effect on our business, financial condition, and results of operations.

Our current operations are international in scope, and we plan further geographic expansion, creating a variety of operational challenges.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. Customer accounts outside the United States generated 12% of our revenue for the three six months ended April 29, 2023 July 29, 2023. We are continuing to adapt to and develop strategies to address international markets, but there is no guarantee that such efforts will have the desired effect. For example, we anticipate that we will need to establish relationships with new partners in order to expand into certain countries, and if we fail to identify, establish, and maintain such relationships, we may be unable to execute on our expansion plans. We intend to increase the scope of our international activities as we continue to pursue opportunities in existing and new international markets, which will require significant dedication of management attention and financial resources.

Our current and future international business and operations involve a variety of risks, including:

- challenges in recruiting, training and retaining qualified employees, particularly in new markets where we have not historically operated;
- slower than anticipated availability and adoption of our solution, or of cloud technologies in general, by potential customers in our target geographies;
- changes in a specific country's or region's political, economic, or legal and regulatory environment, including geopolitical disputes, pandemics, tariffs, export quotas, custom duties, trade disputes, tax laws and treaties, particularly due to economic tensions and trade negotiations or other trade restrictions, trade wars, or long-term environmental risks;

- general economic conditions in each country or region in which we operate;
- the need to adapt and localize our solution and go-to-market practices for specific countries;
- greater difficulty collecting accounts receivable, longer sales and payment cycles, and different pricing environments;

- new, evolving, potentially inconsistent, and often more stringent regulations relating to privacy, data protection and data security and the unauthorized use of, or access to, commercial, biometric, and/or personal information, particularly in Europe;
- differing labor regulations, including with respect to wage and hour laws, that make it harder to do business in certain regions such as Europe;
- challenges inherent in efficiently managing, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- increased travel, real estate, infrastructure, legal, and compliance costs associated with international operations;
- increased financial accounting and reporting burdens and complexities;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- new and different sources of competition;
- laws and business practices favoring local competitors or general market preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties obtaining, maintaining, protecting, or enforcing our intellectual property rights, including our trademarks and patents, or obtaining necessary intellectual property licenses from third parties;
- political instability, geopolitical disputes such as the conflict between Russia and Ukraine or increasing tensions between China and Taiwan, or terrorist activities;
- COVID-19 or any other pandemics or epidemics that could result in decreased economic activity in certain markets, decreased use of our products and services, solution, or a decrease in our ability to import, export, or sell subscriptions to our products solution and services to existing or new customers in international markets;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act (“FCPA”), U.S. domestic bribery laws, the UK Bribery Act of 2010, and similar laws and regulations in other jurisdictions;
- burdens of complying with U.S. and non-U.S. export control laws and regulations, including Export Administration Regulations (“EAR”);
- burdens of complying with laws and regulations related to taxation; and
- regulations, adverse tax burdens, and foreign exchange controls that could make it difficult to repatriate earnings and cash.

If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business and results of operations will suffer.

Risks Related to Our Intellectual Property

Failure to identify and protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.

Our success is tied to our ability to identify and protect our proprietary technology, methodologies, know-how, and branding. We rely on a combination of trademarks, copyrights, patents, trade secrets and other intellectual property laws, contractual restrictions, and technical organizational security and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property rights, including our efforts to date in building out our patent portfolio, may be limited or inadequate. For instance, we will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights, or unauthorized or unlawful use of our software, technology, or intellectual property rights. We also cannot guarantee that our intellectual property rights will provide competitive advantages to us, that our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will be unobstructed by our relationships with third parties, that any of our pending or future patent applications will have the coverage originally sought, or that we will not lose the ability to assert our intellectual property rights against or to license our technology to others and collect royalties or other payments. Further, the laws of some countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate.

In addition, despite our precautions, it may be possible for unauthorized third parties to copy our products, solution, use information that we regard as proprietary to create offerings that compete with ours, or infringe upon or misappropriate our intellectual property. There is also no guarantee that third parties will abide by the terms of our agreements or that we will be able to adequately enforce our contractual rights. We may also be unable to prevent third parties from acquiring or using domain names or trademarks that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights, thereby impeding our ability to build brand identity and possibly leading to potential confusion in the market and damage to our reputation and business.

If we fail to identify and protect our intellectual property rights adequately, our competitors or other third parties may gain access to our proprietary technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant resources and expenses.

There can be no assurance that our patents are enforceable or otherwise will be upheld as valid, or that our patent applications will be granted.

Any patents, trademarks, or other intellectual property rights that we have obtained or may obtain may be challenged by others or invalidated, circumvented, abandoned, or lapse. In addition, there can be no assurance that our patent applications will result in issued patents. Even if we continue to seek patent protection in the future, we may be unable to obtain further patent protection for our technology. There can also be no assurance that our patents or application will be equally enforceable or otherwise protected by the laws of non-U.S. jurisdictions.

In addition, given the costs, effort, risks, and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek patent protection for certain innovations; however, such patent protection could later prove to be important to our business. Further, any patents may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

To protect our trade secrets, confidential information and distribution of our proprietary information, we generally enter into confidentiality, non-compete, proprietary, and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. We also have entered into confidentiality agreements to protect our confidential information delivered to third parties for research and other purposes. No assurance can be given that these agreements will be effective in controlling access to trade secrets, confidential information and distribution of our proprietary information, especially in certain U.S. states and countries that are less willing to enforce such agreements. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products. solution. In addition, others may independently discover our trade secrets and confidential information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions, and failure to obtain or maintain trade secret protection, or our competitors' obtainment of our trade secrets or independent development of unpatented technology similar to ours or competing technologies, could adversely affect our competitive business position.

In order to protect our intellectual property rights and proprietary technology, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our intellectual property rights and proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, solution, impair the functionality of our products, solution, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, solution, or injure our brand and reputation.

We may become subject to additional intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

Third parties have claimed and may in the future claim that our operations and Applications infringe their intellectual property rights, and such claims have resulted and may result in legal claims against our customers, our channel partners, and us. These claims may damage our brand and reputation, harm our customer and channel partner relationships, and result in liability for us. We expect the number of such claims will increase as the number of Applications and the level of competition in our market grows, the functionality of our solution overlaps with that of other products and services, and the volume of issued patents and patent applications continues to increase. We have agreed in certain customer and channel partner contracts to indemnify customers and channel partners, and have accepted tenders for indemnification from certain of such customers, for expenses or liabilities they incur as a result of third-party intellectual property infringement claims associated with our solution. To the extent that any claim arises as a result of third-party technology we use in our solution, we may be unable to recover from the appropriate third party any expenses or other liabilities that we incur.

Companies in the software and technology industries, including some of our current and potential competitors, own patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them than we do. Furthermore, patent holding companies, non-practicing entities, and other patent owners that are not deterred by our existing intellectual property protections may seek to assert patent claims against us. Third parties may assert patent, copyright, trademark, or other intellectual property rights against us, our channel partners, our technology partners, or our customers. We have received notices and been subject to litigation (and we may be subject to litigation in the future) that claims we have misappropriated, misused, or infringed other parties' intellectual property rights, and, to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to IoT devices and the enterprise software market. These and other possible disagreements could lead to delays in the research, development, or commercialization of our systems, or could require or result in costly and time-consuming litigation that may not be decided in our favor. Any such event could materially and adversely affect our financial condition and results of operations.

There may be third-party intellectual property rights, including issued or pending patents, that cover significant aspects of our technologies or business methods. In addition, if we acquire or license technologies from third parties, we may be exposed to increased risk of being the subject of intellectual property infringement claims due to, among other things, our lower level of visibility into the development process with respect to such technology and the care taken to safeguard against infringement risks. These claims may damage our brand and reputation, harm our customer relationships, and create liability for us.

Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate, and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights, and may require us to indemnify our customers and channel partners for liabilities they incur as a result of such claims. These claims could also result in our having to stop importing, making, offering to sell, selling, or using technology found to be in violation of a third party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. Alternatively, we could be required to develop alternative non-infringing technology, which could require significant time, effort, and expense, and may affect the performance or features of our solution. If we cannot license or develop alternative non-infringing substitutes for any infringing technology used in any aspect of our business, we would be forced to limit or stop sales of our solution and may be unable to compete effectively. Any of these results would adversely affect our business operations and financial condition.

Our exposure to risks associated with the use of intellectual property may be increased as a result of any future acquisitions we may complete.

Our exposure to risks associated with the use of intellectual property may be increased as a result of any future acquisitions we may complete, as we will have a lower level of visibility into the development process with respect to acquired technology or the care taken to safeguard against infringement risks. Third parties may make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition. Any of these results would harm our business, results of operations and financial condition. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

Our use of open source software could negatively affect our ability to sell subscriptions to our Connected Operations Cloud and subject us to possible litigation.

Our Connected Operations Cloud incorporates open source software, and we expect to continue to incorporate open source software in our Connected Operations Cloud in the future. Many licenses applicable to open source software have not been interpreted by courts, and there is a risk that any open source licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our solution or other products we may develop in the future. We also rely upon third-party, non-employee contractors to perform certain development services on our behalf, and we cannot be certain that such contractors will comply with our review processes or not incorporate software code made available under certain open source licenses into our proprietary code base.

We may be found to have incorporated open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies and procedures. For example, certain kinds of open source licenses may require that any person who creates a product or service that contains, links to, or is derived from software that was subject to an open source license must also make their own product or service subject to the same open source license. If these requirements are found to apply to our products and we fail to comply with them, we may be subject to certain requirements, including requirements that we offer additional portions of our solutions solution for no cost, that we make available additional source code for modifications or derivative works we create based upon, incorporating or using the open source software, and that we license such modifications or derivative works under the terms of applicable open source licenses.

If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open source software, or required to comply with onerous conditions or restrictions on these products, which could disrupt the distribution and sale of these products. In addition, there have been claims challenging the ownership rights in open source software against companies that incorporate open source software into their products, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. Moreover, we cannot assure you that our processes for controlling our use of open source software in our solution will be effective. In any of these events, we, our customers, and our channel partners could be required to seek licenses from third parties in order to continue offering our products, solution, to re-engineer our products, solution, or to discontinue the sale of subscriptions to our products solution in the event re-engineering cannot be accomplished on a timely basis. We, our customers, and our channel partners may also be subject to suits by parties claiming infringement, misappropriation, or violation due to the reliance by our solutions solution on certain open source software, and such litigation could be costly for us to defend or subject us to an injunction.

Some open source projects provided on an "as-is" basis have known vulnerabilities and architectural instabilities which, if used in our product solution and not properly addressed, could negatively affect the security or performance of our product. solution. Any of the foregoing could require us to devote additional research and development resources to re-engineer our solutions, solution, could result in customer dissatisfaction, and may adversely affect our business, financial condition, and results of operations.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, misappropriation, violation, and other losses.

Our agreements with customers, channel partners, and other third parties have in some cases included indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, misappropriation or violation, damages caused by us to property or persons, or other liabilities relating to or arising from our solution or other contractual obligations. Large indemnity payments could harm our business, financial condition, and results of operations. Pursuant to certain agreements, we do not have a cap on our liability, and any payments under such agreements would harm our business, financial condition, and results of operations. Although we normally contractually limit our liability with respect to some of these indemnity obligations, we may still incur substantial liability related to them. Any dispute with a customer or channel partner with respect to such obligations could have adverse effects on our relationship with that customer or channel partner and other existing customers, new customers, and channel partners and harm our business and results of operations.

We rely on the availability of licenses to third-party technology that may be difficult to replace or that may cause errors or delay implementation of our solution should we not be able to continue or obtain a commercially reasonable license to such technology.

Our Connected Operations Cloud relies on software or other intellectual property licensed from third parties. It may be necessary in the future to renew licenses relating to various aspects of these solutions or to seek new licenses for existing or new Applications. There can be no assurance that the necessary licenses would be available on commercially acceptable terms, if at all. Third parties may terminate their licenses with us for a variety of reasons, including actual or perceived failures or breaches of contractual commitments, or they may choose not to renew their licenses with us. In addition, we may be subject to liability if third-party software that we license is found to infringe, misappropriate, or otherwise violate intellectual property or privacy rights of others. The loss of, or inability to obtain, certain third-party licenses or other rights, the inability to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in product roll-backs or delays in product releases until equivalent technology can be identified, licensed or developed, if at all, and integrated into our solutions, solution, and it may have a material adverse effect on our business, financial condition, and results of operations. Moreover, the use by our solution of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to differentiate our solution from products of our competitors and could inhibit our ability to provide the current level of service to existing customers.

Changes in or the loss of third-party licenses could lead to our solutions solution becoming inoperable or the performance of our solutions solution being materially reduced, resulting in the potential need to incur additional research and development costs to ensure continued performance of our solutions solution or a material increase in the costs of licensing, and we may experience decreased demand for our solutions. solution.

Risks Related to Government Regulation

Federal and other governments and independent standards organizations have implemented and may implement in the future significant regulations or standards that could adversely affect our ability to produce, market, or market sell subscriptions to our products. solution.

Our products are solution is subject to a wide variety of laws and regulations in the United States and other jurisdictions, and may become subject to additional laws and regulations, and we devote considerable resources to the analysis of their applicability to our products solution and their its compliance with applicable laws and regulations. Failure to comply with applicable laws and regulations could require us to incur significant compliance, research and development, and other costs, penalties, and fines; adversely impact our business reputation and customer relationships; and otherwise adversely affect or make impossible our ability to produce, market, and sell the affected products or subscriptions to our other products. solution. The United States and other countries have enacted regulations related to ELDs and hours of service ("HOS") or similar requirements, and some of our customers use our products solution to comply with such regulations. Failure to comply ourselves, to enable such compliance by our customers, or to obtain and maintain any required certifications would prevent current and potential customers from using the applicable products our solution for such compliance purposes and would have an adverse impact on our ability to sell such products, subscriptions to our solution, our business reputation, and our customer relationships. For example, in the United States, to the extent our Applications and/or IoT devices function as ELDs, they are subject to regulation by the Federal Motor Carrier Safety Administration ("FMCSA") and similar regulations in other countries in which they are used. The FMCSA requires that ELD manufacturers register and self-certify that each ELD model and version they offer for sale has been sufficiently tested to meet certain functional requirements. Among other challenges, compliance with ELD regulations often requires reading and interpreting diagnostic information from commercial motor vehicle engines, which is challenging given the diversity of commercial motor vehicles in our customers' fleets, the continuous release of vehicles of new makes, models, and years with potentially different diagnostic communication protocols, and the lack of standardization of diagnostic communication protocols across OEMs. Our ability to design, develop and sell subscriptions to our products solution will continue to be subject to these rules and regulations, as well as many other federal, state, local and foreign rules and regulations, for the foreseeable future. For example, from time to time, we have received and expect to continue to receive inquiries from FMCSA relating to our self-certified ELD Application in the United States. These inquiries could put our self-certification of our ELD Application at risk or require changes to our ELD functionality that could make our ELD Application less desirable to existing and potential customers. Further, as another example, on January 1, 2023, Canada began enforcement of its ELD technical standard, mandating that motor carriers and drivers subject to HOS requirements in Canada use ELDs that have been tested and certified by an accredited, third-party certification body. We have obtained certification for three of our ELD models in Canada. However, failure to obtain certification for future ELD models, or to maintain the existing certification for our certified ELD models, would prevent current and potential customers from using our ELD Application for compliance purposes in Canada and could negatively impact the reputation and goodwill of our ELD offering in the United States. Furthermore, our products solution may transmit radio frequency waves, the transmission of which is governed by the rules and regulations of the Federal Communications Commission, as well as other federal and state agencies.

In addition, our Connected Operations Cloud may become subject to independent industry standards or similar customer requirements. The implementation of unfavorable regulations, industry standards, or similar customer requirements, or unfavorable interpretations of existing regulations by courts or regulatory bodies, could require us to incur significant compliance costs, cause the development of the affected products our solution to become impractical, or otherwise adversely affect our ability to produce, market, and sell subscriptions to our solution. The adoption of new industry standards or similar customer requirements applicable to our products solution may require us to engage in rapid product development efforts that would cause us to incur higher expenses than we anticipated. In some circumstances, we may not be able to comply with such standards or requirements, which could materially and adversely affect our ability to generate revenues through the sale of subscriptions to our products. solution.

Reductions in regulation of our customers' physical operations may adversely impact demand for certain of our solutions solution by reducing the necessity for, or desirability of, certain of our solutions. Applications.

Regulatory compliance and reporting are driven by legislation, regulatory requirements, and related guidance, which are often subject to change, from regulatory authorities in nearly every jurisdiction globally. With respect to our Applications that are used for customers' compliance purposes, changes in underlying regulations may reduce or eliminate our customers' continued demand for Applications that address those regulations. For example, in the United States, fleet operators face numerous complex regulatory requirements, including electronic logging requirements; compliance, safety, and accountability driver safety scoring; limitations on HOS; compliance and fuel tax reporting; among others. If these regulatory requirements were reduced or eliminated, our Applications for the fleet use case would have reduced utility to our customers. Accordingly, the reduction in regulation of markets addressed by our Applications could materially and adversely affect our business, financial condition, and results of operations.

Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose customers or otherwise harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governmental agencies, including agencies responsible for monitoring and enforcing compliance with various legal obligations, covering topics including privacy and data protection, telecommunications, intellectual property, employment and labor, workplace safety, the environment, consumer protection, governmental trade sanctions, import and export controls, anti-corruption and anti-bribery, securities, competition, and tax. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. These laws and regulations impose added costs on our business. Actual or perceived noncompliance with applicable regulations or requirements could subject us to:

- investigations, enforcement actions, and sanctions;
- mandatory changes to our solution;
- disgorgement of profits, fines, and damages;
- civil and criminal penalties or injunctions;
- claims for damages by our customers, partners, or other third parties;
- termination of contracts;

- loss of intellectual property rights; and
- temporary or permanent debarment from sales to government organizations.

If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, financial condition, and results of operations could be adversely affected. In addition, responding to any action will likely result in a significant diversion of our management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could materially harm our business, financial condition, and results of operations.

Additionally, companies in the technology industry have recently experienced increased regulatory scrutiny. Any reviews by regulatory agencies or legislatures may result in substantial regulatory fines, changes to our business practices, and other penalties, which could negatively affect our business and results of operations. Changes in social, political, and regulatory conditions or in laws and policies governing a wide range of topics may cause us to change our business practices. Further, our expansion into a variety of new use cases for our solution could also raise a number of new regulatory issues. These factors could materially and adversely affect our business, financial condition, and results of operations.

We are subject to stringent and changing laws, regulations, standards, and contractual obligations related to privacy, data protection, and data security. Any actual or perceived failure to comply with such obligations could harm our business.

We receive, collect, store, process, transfer, and use personal information and other data relating to users of our solution, our employees and contractors, and other persons. For example, one of our Applications collects video of the worksites of our customers, and certain of our Applications collect and store facial recognition data, which is subject to heightened sensitivity and regulation. An example of that heightened sensitivity is the May 18, 2023 U.S. Federal Trade Commission ("FTC") policy statement regarding biometric information, which identifies numerous risks the FTC considers key, outlines relevant practices the FTC plans to scrutinize, and affirms the FTC's commitment to addressing deceptive and unfair practices involving the collection and use of biometric information. We have legal and contractual obligations regarding the protection of confidentiality and appropriate use of certain data, including facial recognition data biometric information and other personal information. We are subject to numerous federal, state, local, and international laws, directives, and regulations regarding privacy, data protection, and data security and the collection, storing, sharing, use, processing, transfer, disclosure, retention, and protection of personal information and other data, the scope of which are changing, subject to differing interpretations, and may be inconsistent across jurisdictions or conflict with other legal and regulatory requirements. We are also subject to certain contractual obligations to third parties related to privacy, data protection, and data security. We strive to comply with our applicable policies and applicable laws, regulations, contractual obligations, and other legal obligations relating to privacy, data protection, and data security to the extent possible. However, the regulatory framework for privacy, data protection and data security worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other legal obligations or our practices. Further, any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of data, or their interpretation, or any changes regarding the manner in which the approval, authorization, agreement, and/or consent of users or other data subjects for the collection, use, retention, or disclosure of such data must be obtained or complied with, could increase our costs and require us to modify our Applications, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process user data or develop new Applications and features.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, the data protection landscape in Europe is currently evolving, resulting in possible significant operational costs for internal compliance and risks to our business. The EU European Union ("EU") adopted the General Data Protection Regulation ("GDPR"), which became effective in May 2018, and contains numerous requirements and changes from previously existing EU laws, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. Among other requirements, the GDPR regulates the transfer of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States. We have undertaken certain efforts to conform transfers of personal data subject to the GDPR from the European Economic Area ("EEA") to the United States and other jurisdictions based on our understanding of current regulatory obligations and the guidance of data protection authorities, including the use of standard contractual clauses ("SCCs") approved by the European Commission; however, international data transfers may still be challenged in countries that have not received "adequacy" status from the European Commission. In For example, in the *Schrems II* decision issued by the Court of Justice of the European Union ("CJEU") on July 16, 2020, the CJEU, among other things, imposed additional obligations on companies when relying on the SCCs. EEA regulators since have provided guidance regarding use of the SCCs, and on June 4, 2021, the European Commission issued new SCCs that are required to be implemented. The EU subsequently adopted an adequacy decision that also covers transfers of personal data to the United States under an alternative mechanism called the EU-U.S. Data Privacy Framework. There is no guarantee that this framework will survive any legal challenges and therefore, in light of this uncertainty, we will need to continue monitoring and taking appropriate steps to mitigate the impact on us with respect to the transfers of relevant personal data outside of the EU. Further, the United Kingdom has enacted legislation that substantially implements the GDPR and provides for substantial penalties in a manner similar to the GDPR (up to the greater of £17.5 million and 4% of global annual turnover for the preceding financial year for the most serious violations). The United Kingdom also has adopted new data transfer mechanisms (namely, the UK International Data Transfer Agreement and the UK international data transfer addendum to the SCCs) addressing the cross-border transfer of personal data outside the United Kingdom that became effective as of March 21, 2022, and which are required to be implemented. While the EU has deemed the United Kingdom to be an "adequate country" to which personal data could be exported from the EEA, this decision is required to be renewed after four years of being in effect and may be modified, revoked, or challenged in the interim. It is unclear how United Kingdom data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the United Kingdom will be regulated. Further, some countries also are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

In light of these and other developments relating to cross-border data transfer, we may, in addition to other impacts, experience additional costs associated with increased compliance burdens and be required to engage in new contract negotiations with third parties that aid in processing personal data on our behalf or localize certain personal data, and we may be required to implement additional contractual and technical safeguards for the lawful transfer of personal data. We may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the EEA, Switzerland, and the United Kingdom and may experience hesitancy, reluctance, or refusal by customers to use our products solution due to the potential risk exposure to such customers as a result of sentiment in the EEA, Switzerland, and the United Kingdom regarding international data transfers and data protection obligations imposed on them. Failure to comply with the GDPR could result in penalties for noncompliance (including possible fines of up to the greater of €20 million and 4% of our global annual turnover for the preceding financial year for the most serious violations, as well as the right to compensation for financial or non-financial damages claimed by individuals under Article 82 of the GDPR).

In addition to the GDPR, the European Commission has another draft regulation in the approval process that focuses on a person's right to conduct a private life. The proposed legislation, known as the Regulation of Privacy and Electronic Communications ("ePrivacy Regulation"), would replace the current ePrivacy Directive. Originally planned to be adopted and implemented at the same time as the GDPR, the ePrivacy Regulation is still being negotiated.

Various United States privacy laws are potentially relevant to our business, including the Federal Trade Commission Act, Controlling the Assault of Non-Solicited Pornography and Marketing Act, and the Telephone Consumer Protection Act. Any actual or perceived failure to comply with these laws could result in a costly investigation or litigation resulting in potentially significant liability, loss of trust by our users, and a material and adverse impact on our reputation and business.

Additionally, in June 2018, California passed the California Consumer Privacy Act ("CCPA"), which provides new data privacy rights for California consumers and new operational requirements for covered companies. Specifically, the CCPA provides that covered companies must provide new disclosures to California consumers and afford such consumers new data privacy rights that include the right to request a copy from a covered company of the personal information collected about them, the right to request deletion of such personal information, and the right to request to opt-out of certain sales of such personal information. The CCPA became operative on January 1, 2020. The California Attorney General can enforce the CCPA, including seeking an injunction and civil penalties for violations. The CCPA also provides a private right of action for certain data breaches that is expected to increase data breach litigation. A new privacy law, California Privacy Rights Act of 2020 ("CPRA"), was approved by California voters in the November 3, 2020 election and went into effect on January 1, 2023, with enforcement delayed until July 1, 2023 March 29, 2024. The CPRA significantly modified the CCPA, resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. A number of other states, such as Colorado, Connecticut, Illinois, Connecticut, Indiana, Iowa, Montana, Tennessee, Texas, Washington, Utah, Virginia, Colorado, Utah, Tennessee, Iowa, and Indiana, Washington, have implemented, or are considering implementing, their own versions of privacy legislation. The U.S. federal government also is contemplating federal privacy legislation. The CCPA, CPRA, and other evolving legislation may require us to modify our data practices and policies and to incur substantial costs and expenses in an effort to comply. Numerous differing state privacy and data security requirements could increase our potential liability and cause us to incur substantial costs and expenses in an effort to comply and otherwise adversely affect our business. Some of those laws, including Illinois' Biometric Information Privacy Act, also provide consumers with a private right of action for certain violations and large potential statutory damages awards. Recent litigation around these laws has encouraged plaintiffs' attorneys to bring additional actions against other targets, and because some of our products employ solution employs technology that may be perceived as subject to these laws, we and our customers have been, and may in the future become, subject to litigation, and we may also become subject to government enforcement actions, damages, and penalties under these laws, which could adversely affect our business, results of operations, and our financial condition.

Any failure or perceived failure by us to comply with our posted privacy policies, our obligations to users or other third parties, or any other contractual or legal obligations, regulatory requirements, or other actual or asserted obligations relating to privacy, data protection, or data security, may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, other obligations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our solution. Additionally, if third parties we work with violate applicable laws, regulations or contractual obligations, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our business, industry or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

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

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act of 2010, and possibly other anti-bribery and anti-money laundering laws in countries where we conduct activities. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws that prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties, and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person, or securing any improper advantage. Some of these laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. In addition, we use third parties to sell subscriptions to our solution and conduct our business abroad. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. Similarly, some of our customers may be state-owned, in each case exposing us to additional potential risks.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such activities. While we have policies and procedures to address such laws, we cannot assure you that none of our employees or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, severe criminal or civil sanctions and suspension or debarment from government contracts, which could have an adverse effect on our reputation, business, financial condition, results of operations, and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Despite our efforts, we may not be able to obtain the requisite certifications or otherwise meet particular requirements to sell to certain government entities, and government certification or other requirements for products like ours may change, thereby restricting our ability to sell to the U.S. federal government, state and local governments, education entities, or non-U.S. government sectors until we have attained the appropriate certification or otherwise met their particular requirements. Government demand and payment for our products solution may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products. solution. Additionally, any actual or perceived privacy, data protection, or data security incident, or even any perceived defect with regard to our practices or measures in these areas, may negatively impact public sector demand for our products. solution.

Some government entities have statutory, contractual, or other legal rights to terminate contracts with us for convenience, for lack of appropriation of funds, or due to a default, and any such termination may adversely affect our future results of operations. Governments routinely investigate and audit government contractors, and any unfavorable audit could result in the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could materially and adversely affect our business, financial condition, and results of operations.

Failure to comply with laws, regulations, or contractual provisions applicable to our business could cause us to lose government customers or our ability to contract with the U.S. and other governments.

As a government contractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. As a result of actual or perceived noncompliance with government contracting laws, regulations, or contractual provisions, we may be subject to audits and internal investigations which may prove costly to our business financially, divert management time, or limit our ability to continue selling subscriptions to our solution to our government customers. These laws and regulations may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, and termination of contracts and suspension or debarment from government contracting with government agencies for a period of time. Any such damages, penalties, disruption, or limitation in our ability to do business with a government could materially and adversely impact our business, results of operations, financial condition, public perception, and growth prospects.

We are required to comply with governmental export control, economic sanctions and import laws and regulations. Our failure to comply with these laws and regulations could have an adverse effect on our business, financial condition, and results of operations.

Exports, reexports and certain transfers of our solution, including the underlying technology and source code and products, may be subject to governmental export control and economic sanctions laws and regulations, including those of the United States and EU. Certain of our products, technologies, and services are, and may in the future be, subject to the EAR. U.S. export control laws and regulations and economic sanctions include various restrictions and license requirements, including prohibiting the shipment of certain products, technology, software, and services to countries, governments, and persons embargoed or sanctioned by the U.S. United States. Complying with export control, economic sanctions, and import laws and regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. While we take precautions to prevent our platform, products, solution, services, technology, and software from being exported, reexported or transferred in violation of these laws, if we were to fail to comply with U.S. export laws, U.S. Customs regulations and import regulations, U.S. economic sanctions, and other countries' import and export laws, we could be subject to substantial civil and criminal penalties, including fines for the company and incarceration for responsible employees and managers, and the possible loss of export privileges.

Additionally, the export control laws and regulations impose licensing, filing, and reporting requirements on encryption and products, technologies, and software that incorporate or use certain encryption. We incorporate encryption technology into certain of our products and our products, software, and technology may require export authorization including by license, a license exception, or other appropriate government authorization for export, reexport, or transfer outside of the United States. In addition, various countries regulate the import of certain encryption technology, including import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products solution or could limit our customers' ability to implement our products solution in those countries. We cannot assure you that inadvertent violations of such laws have not occurred or will not occur in connection with the distribution of our products solution and services despite the precautions we take. Governmental regulation of encryption technology and regulation of imports or exports, or our failure to obtain any required import or export approval for our products, solution, technology, software, services, or platform could harm our international sales and adversely affect our results of operations.

Further, if our channel or other partners fail to obtain any appropriate import, export, or re-export licenses or permits, we may also be harmed, become the subject of government investigations or penalties, and incur reputational harm. In addition, access to our supply chain in China may be further restricted by U.S. actions taken against China, such as Chinese suppliers being targeted by U.S. sanctions or being added to lists of denied persons maintained by the U.S. Department of Commerce Bureau of Industry and Security ("BIS"). For example, the United States recently imposed restrictions on the export of U.S.-regulated products and technology to certain Chinese technology companies and adopted controls on certain transactions involving items for semiconductor manufacturing end uses and advanced computing integrated circuits destined for China. Our need to obtain any required export approval for such transactions could adversely affect our operations. Changes in our platform, products, solution, services, technology, and software or changes in export and import regulations may create delays in the introduction of our platform in international markets, prevent our customers with international operations from deploying our platform globally or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import laws or regulations, economic sanctions, or related legislation, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons, or technologies targeted by such laws and regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell subscriptions to our platform to, existing or potential customers with international operations. Any decreased use of our platform, products, solution, services, technology, and software or limitation on our ability to export or sell our platform would likely harm our business, financial condition, and results of operations.

Our failure to comply with the requirements of applicable environmental legislation and regulation could have a material adverse effect on our revenue and profitability.

Production and marketing of products in certain states and countries may subject us to environmental and other regulations. In addition, certain states and countries may pass new regulations requiring our products solution to meet certain requirements to use environmentally friendly components. For example, the EU has issued two directives relating to chemical substances in electronic products. The Waste Electrical and Electronic Equipment Directive makes producers of certain electrical and electronic equipment financially responsible for the collection, reuse, recycling, treatment, and disposal of equipment placed in the EU market. The Restrictions of Hazardous Substances Directive bans the use of certain hazardous materials in electrical and electronic equipment which are put on the market in the EU. In the future, various countries, including the United States or other state or local governments, may adopt further environmental compliance programs and requirements. If we fail to comply with these regulations in connection with the manufacture of our IoT devices, we may face regulatory fines, changes to our business practices, and other penalties, and may not be able to sell our IoT devices in jurisdictions where these regulations apply, which could have a material adverse effect on our revenue and profitability.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

We are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that require us to conduct due diligence on and disclose whether our products contain conflict minerals as defined under these provisions. The implementation of these requirements could adversely affect the sourcing, availability, and pricing of the materials used in the manufacture of components used in our IoT devices. In addition, we incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of minerals that may be used in or necessary for the production of our IoT devices and, if applicable, potential changes to IoT devices, processes, or sources of supply as a consequence of such due diligence activities. It is also possible that we may face reputational harm if we determine that certain of our IoT devices contain minerals not determined to be conflict-free or if we are unable to alter our products, processes, or sources of supply to avoid such materials.

We may face fines, penalties, or other costs, either directly or vicariously, if any of our partners, resellers, contractors, vendors, or other third parties fail to adhere to their compliance obligations under our policies and applicable law.

We use a number of third parties to perform services or act on our behalf in areas like sales, network infrastructure, administration, research, and marketing. It may be the case that one or more of those third parties fail to adhere to our policies or violate applicable federal, state, local, and international laws, including but not limited to, those related to taxation, corruption, bribery, economic sanctions, and export/import controls. Despite the significant efforts in asserting and maintaining control and compliance by these third parties, we may be held fully liable for third parties' actions as fully as if they were a direct employee of ours. Such liabilities may create harm to our reputation, inhibit our plans for expansion, or lead to extensive liability either to private parties or government regulators, which could adversely impact our business, financial condition, and results of operations.

Risks Related to Finance, Accounting, and Tax Matters

Our results of operations and our business metrics have fluctuated and are likely to fluctuate significantly in future periods and may not fully reflect the underlying performance of our business, which makes our future results difficult to predict and could cause our results of operations to fall below expectations.

Our results of operations and business metrics have fluctuated from period-to-period in the past and may continue to vary significantly in the future so that period-to-period comparisons of our results of operations and business metrics, such as ARR, may not be meaningful. Accordingly, our financial results in any one period should not be relied upon as indicative of future performance.

We recognize revenue from customers ratably over the term of their subscriptions, which typically range from three to five years. Consequently, any increase or decline in new sales or renewals to these customers in any one period may not be immediately reflected in our revenue for that period. Any such change, however, may affect our revenue in future periods. Accordingly, the effect of downturns or upturns in new sales and potential changes in our rate of renewals may not be fully reflected in certain of our results of operations financial performance measures until future periods. We may also be unable to reduce our cost structure in line with a significant deterioration in sales or renewals. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term. By contrast, a majority of our costs are expensed as incurred, while a significant portion of our revenue is recognized over the life of the contract with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of certain of our customer contracts. We may not attain sufficient revenue to maintain positive cash flow from operations or achieve our profitability in any given period. targets.

Our results of operations and business metrics may fluctuate as a result of a variety of factors, many of which are outside of our control, may be difficult to predict, and may or may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our financial results and our business metrics include but are not limited to:

- Our ability to attract new customers, particularly large customers;
- Our ability to retain and expand our relationships with existing customers;
- Our ability to successfully expand our business domestically and internationally;
- Our ability to gain new channel partners and retain existing channel partners;
- Our ability to attract, retain, and develop key employees and other qualified personnel;
- Fluctuations in the growth rate of the overall markets that our solution addresses;

- Supply chain, freight, and shipping costs;
- Our ability to effectively manage our growth;
- Fluctuations in the mix of our revenue;
- The payment terms in our customer contracts;
- The amount and timing of operating expenses related to the maintenance and expansion of our business and operations, including continued investments in sales and marketing, research and development, and general and administrative resources;
- Network outages or performance degradation of our cloud service;
- Information security breaches and incidents;
- General economic, industry and market conditions, including global supply chain challenges, foreign currency fluctuations, elevated inflation and interest rates and monetary policy changes, lower consumer confidence, and volatile equity markets;
- Changes in law and regulations affecting our and our customers' businesses or product requirements;
- Increases or decreases in the number of subscriptions or pricing changes upon any renewals of customer agreements;
- Changes in our pricing policies or those of our competitors;
- The budgeting cycles and purchasing practices of customers;

- Decisions by potential customers to return products purchased from us and/or purchase alternative solutions from other vendors;
- Insolvency or credit difficulties confronting our customers, which could adversely affect their ability to purchase or pay for a subscription to use our solution;
- The cost and potential outcomes of future litigation or other disputes;
- Future accounting pronouncements or changes in our accounting policies;
- Our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any new legislation or regulatory developments;

- Fluctuations in stock-based compensation expense, including the stock-based compensation expense that we will incur in connection with future RSU settlements;
- Trade protection measures (such as tariffs and duties) and import or export licensing requirements;
- Fluctuations in foreign currency exchange rates;
- Fluctuations or impairments in the market values of our marketable debt securities portfolio or strategic investments, or in interest rates;
- Our timing and success in introducing new features and Applications to the market, including integrations of our solution with additional third-party software, IoT devices, and other connected assets;
- The actions of our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic partners;
- The provision of fleet management solutions or asset management solutions from cellular carrier-controlled or OEM-controlled channels from which we may be excluded;
- The impact of the Russia-Ukraine conflict, geopolitical tensions involving China, and related macroeconomic events on our and our customers' and partners' respective operations;
- Our ability to successfully manage and realize the anticipated benefits of any future acquisitions of businesses, solutions, or technologies;
- The timing of expenses related to the development or acquisition of businesses, solutions, or technologies and potential future charges for impairment of goodwill from acquired companies;
- The length of a specific fiscal period; and
- Other risk factors described in this Quarterly Report on Form 10-Q.

If we are unable to achieve and sustain a level of liquidity sufficient to support our operations and fulfill our obligations, our business, financial condition, and results of operations could be adversely affected.

We actively monitor and manage our cash, cash equivalents, and marketable debt securities so that sufficient liquidity is available to fund our operations and other corporate purposes. In the future, increased levels of liquidity may be required to adequately support our operations and initiatives and to mitigate the effects of business challenges or unforeseen circumstances. If we are unable to achieve and sustain such increased levels of liquidity, we may suffer adverse consequences, including reduced investment in our research and development efforts, difficulties in executing our business plan and fulfilling our obligations, and other operational challenges. Any of these developments could adversely affect our business, financial condition, and results of operations.

We may require additional capital to fund our business and support our growth, and any inability to generate or obtain such capital may adversely affect our business and financial condition.

In order to support our growth and respond to business challenges, such as developing new Applications for our Connected Operations Cloud to stay competitive, acquiring new technologies, and improving our infrastructure, we have made significant financial investments in our business and we intend to continue to make such investments. As a result, we may need to engage in additional equity or debt financings to provide the funds required for these investments and other business endeavors. If we raise additional funds through equity or convertible debt issuances, our existing stockholders may suffer significant dilution, and these securities could have rights, preferences, and privileges that are superior to that of holders of our Class A common stock. If we obtain additional funds through debt financing, the terms of such indebtedness may involve restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business and financial condition may be adversely affected.

Our business is exposed to risks related to third-party financing of our customers' subscriptions to our Connected Operations Cloud.

Some of our customers have relied, and may in the future rely, on third parties to finance their purchase of subscriptions to our Connected Operations Cloud. This need to arrange third-party credit may lengthen our sales cycles or otherwise lengthen the amount of time required to negotiate customer agreements. We occasionally provide customers seeking financing with contact information for lenders that are known to us through their financing of other customers' subscriptions. These arrangements can create challenging dynamics for us when disputes arise between a customer and a lender to whom we have introduced a customer. In the event that financing is not available to those of our customers who require it, on commercially reasonable terms or at all, we could experience reduced sales, extended sales cycles, and increased churn. Any inability of a third-party financing company to make payments on a customer's behalf would prevent us from collecting amounts due under the customer's subscription agreement. In the event of a dispute between a customer and a lender, we could suffer reputational harm and damage to our relationships with customers and those that provide financing to our customers. The cost of financing may increase as a result of increases in interest rates. The occurrence of any of these would adversely impact our business, financial condition, and results of operations.

Changes in our subscription or pricing models could adversely affect our business, financial condition, and results of operations.

Determining the optimal prices for subscriptions to our solution requires significant judgment and assessment of multiple factors, particularly under economic conditions characterized by high inflation or in a recessionary or uncertain economic environment. As the market for our solution has evolved, we have changed our prices and pricing model from time to time and expect to continue to do so in the future. As we expand our offerings, as the markets for our solution mature, as competitors introduce new solutions or services that compete with ours, as we enter new international markets, and as macroeconomic conditions evolve, we may be unable to attract and retain customers at the prices or terms we set. If we do not optimally adjust pricing for our solution, our revenue and margins, as well as our ability to acquire and retain customers, may be negatively impacted.

The sales price for subscriptions to access our Connected Operations Cloud may decline for a variety of reasons, including competitive pricing pressures, discounts, anticipation of the introduction of new Applications and features, changes in pricing models for existing Applications and access to our solution (including changes as to the timing of customers' payments over the course of their subscriptions) or promotional programs. Larger competitors, including new entrants to our market, may reduce the price of offerings that compete with ours or may bundle them with other offerings and provide them for free. Any decrease in the sales prices for access to our Connected Operations Cloud, without a corresponding decrease in costs or increase in sales volume, would adversely affect our revenue, gross profit and free cash flow.

We may also have difficulty determining the appropriate price structure for new Applications. Regardless of the pricing model used, larger customers may demand higher price discounts than have been given in the past, or are given to other customers. As a result, we may be required to reduce our prices, offer shorter contract durations, or offer alternative pricing models. If we do not maintain our prices and gross profits at levels that will allow us to achieve and maintain our profitability targets, our business, financial condition, and results of operations will be harmed.

We recognize certain revenue streams over the term of our subscription contracts. Consequently, downturns in new sales may not be immediately reflected in our results of operations and may be difficult to discern.

We recognize subscription revenue from customers ratably over the terms of their contracts. As a result, a significant portion of the revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscription agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter may only have a small impact on our revenue results for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our Connected Operations Cloud, and potential changes in our pricing policies or rate of expansion or retention, may not be fully reflected in our results of operations until future periods. We may also be unable to reduce our cost structure in line with a significant deterioration in sales. In addition, a majority of our costs are expensed as incurred, while a significant portion of our revenue is recognized over the life of the contract with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of certain of our customer contracts. Our subscription revenue also makes it more difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from certain new customers must be recognized over the applicable term.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could expose us to greater than anticipated tax liabilities.

The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions may aggressively interpret their laws in an effort to raise additional tax revenue. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology, intercompany arrangements, or our revenue recognition policies, which could increase our worldwide effective tax rate and harm our financial position and results of operations. It is possible that tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. Further, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our condensed consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. For example, in August 2022, the United States enacted the Inflation Reduction Act of 2022, which imposes a 15% minimum tax on the adjusted financial statement income of certain large corporations, as well as a one percent excise tax on corporate stock repurchases by publicly traded companies. This act, as well as any other changes to tax laws that are enacted, could adversely affect our tax liability. Many countries in the EU, as well as a number of other countries and organizations such as the Organisation for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. If U.S. or other non-U.S. tax authorities change applicable tax laws, our overall tax liabilities could increase, and our business, financial condition, or results of operations may be adversely impacted.

Our international operations may subject us to potential adverse tax consequences.

We are expanding our international operations to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth in international markets, and consider the functions, risks, and assets of the various entities involved in intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

If currency exchange rates fluctuate substantially in the future, the results of our operations, which are reported in U.S. dollars, could be adversely affected.

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Our international customer contracts are denominated in currencies other than the U.S. dollar. Because our contract terms are typically three to five years, changes in currency exchange rates over the course of customers' contract terms may impact the amount of revenue we recognize from a customer from period to period, even in the absence of changes to that customer's subscriptions. Additionally, currency fluctuations in certain countries and regions may negatively impact actual prices that customers and partners are willing to pay in those countries and regions. Further, we incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of such expenses being higher, which could have a negative impact on our results of operations. Although we may in the future decide to undertake foreign exchange hedging transactions to cover a portion of our foreign currency exchange exposure, we currently do not hedge our exposure to foreign currency exchange risks.

Our marketable debt securities portfolio is subject to credit, liquidity, market, and interest rate risks that could cause its value to decline and materially adversely affect our business, financial condition, results of operations, and prospects.

We maintain a portfolio of marketable debt securities through professional investment advisors. The investments in our portfolio are subject to our corporate investment policy, which focuses on the preservation of capital, fulfillment of our liquidity needs, and maximization of investment performance within the parameters set forth in our corporate investment policy and subject to market conditions. These investments are subject to general credit, liquidity, market, and interest rate risks. In particular, the value of our portfolio may decline due to changes in interest rates, instability in the global financial markets that reduces the liquidity of securities in our portfolio, and other factors, including unexpected or unprecedented events. As a result, we may experience a decline in value or loss of liquidity of our investments, which could materially adversely affect our business, financial condition, results of operations, and prospects. We attempt to mitigate these risks through diversification of our investments and continuous monitoring of our portfolio's overall risk profile, but the value of our investments may nevertheless decline. To the extent that we increase the amount of these investments in the future, these risks could be exacerbated.

We could be required to collect additional sales, use, value added, digital services, or other similar taxes or be subject to other liabilities that may increase the costs our customers would have to pay for our Applications and adversely affect our results of operations.

We collect sales, value added, and other similar taxes in a number of jurisdictions. One or more U.S. states or municipalities, as well as other countries, may seek to impose incremental or new sales, use, value added, digital services, or other tax collection obligations on us. An increasing A number of U.S. states have considered or adopted laws that attempt to impose tax collection obligations on out-of-state companies, which has previously increased, and may in the future increase, our tax exposure. We previously expanded our registrations and compliance requirements. However, there can be no assurance that tax authorities in jurisdictions where we conduct business will not assert that we are subject to additional taxes or required to collect additional taxes or impose additional taxes in the future. An expansion by a U.S. state or local government, or other country or jurisdiction of sales, use, value added, digital services, or other similar taxes could, among other things, result in additional tax liabilities for us or our customers and/or create additional administrative burdens for us.

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

As of January 28, 2023, we had U.S. federal net operating loss ("NOL") carryforwards of $1,364.5 million and U.S. state NOL carryforwards of $1,634.2 million, which may be utilized against future income taxes. Under the Tax Cuts and Jobs Act of 2017, as modified by the Coronavirus Aid, Relief, and Economic Security Act, the deductibility of our federal NOL carryforwards generated in taxable years beginning after December 31, 2017 is limited to 80% of taxable income in taxable years beginning after December 31, 2020. Our NOL carryforwards may also be subject to limitations under state law. Limitations imposed by the applicable jurisdictions on our ability to utilize NOL carryforwards, including with respect to the NOL carryforwards of companies that we have acquired or may acquire in the future, could cause income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such NOL carryforwards to expire unused, in each case reducing or eliminating the benefit of such NOL carryforwards. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change federal NOL carryforwards and other pre-change tax attributes, such as research tax credits, to offset its future post-change income and taxes may be limited. In general, an "ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. In the event we experience one or more ownership changes as a result of future transactions in our stock, then we may be further limited in our ability to use our NOL carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn in the event that we attain profitability. Furthermore, we may not be able to generate sufficient taxable income to utilize our NOL carryforwards before they expire. If any of these events occur, we may not derive some or all of the expected benefits from our NOL carryforwards.

If our judgments or estimates relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of our financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," the results of which form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock. For example, we have taken and may be required to take certain non-cash charges in connection with future rent expenses relating to premises we have vacated or intend to vacate, which could have an adverse impact on our results of operations for the period in which we recognize such charges. Significant judgments, estimates, and assumptions used in preparing our condensed consolidated financial statements include, or may in the future include, those related to revenue recognition, stock-based compensation, and income taxes.

Risks Related to the Ownership of Our Class A Common Stock

Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could cause the market price of our Class A common stock to decline.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market, and the perception that these sales could occur may also depress the market price of our Class A common stock.

Certain holders of our common stock also have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Further, we have filed and expect to file in the future registration statements to register shares reserved for future issuance under our equity compensation plans. Subject to the satisfaction of applicable exercise or vesting periods, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards will be available for immediate resale in the United States in the open market as a result of being issued under such registration statement or pursuant to other securities law exemptions.

Sales of our shares as restrictions end or pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. Sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, also could cause the trading price of our Class A common stock to decline and make it more difficult for you to sell shares of our Class A common stock.

Our stock price may be volatile and may decline significantly and rapidly regardless of our operating performance, resulting in substantial losses for investors.

The market price of our Class A common stock may fluctuate significantly in response to numerous factors in addition to the ones described in the preceding risk factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition, results of operations, or key business metrics and non-GAAP financial measures;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;

- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates or ratings by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, results of operations, or capital commitments;
- changes in stock market valuations and operating performance of other technology companies generally, or those in our industry in particular;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- changes in our Board of Directors, management, or personnel;
- sales of large blocks of our Class A common stock, including sales by our executive officers and directors, as well as sales in connection with our quarterly RSU settlements to cover tax withholding and remittance obligations;
- actual or perceived privacy or security incidents affecting our solution or otherwise affecting us;
- lawsuits threatened or filed against us;
- anticipated or actual changes in laws, regulations, or government policies applicable to our business or our customers' businesses;
- changes in the anticipated future size or growth rate of our addressable markets;
- changes in our capital structure, such as future issuances of debt or equity securities;
- short sales, hedging, and other derivative transactions involving our capital stock;
- general economic conditions in the United States, including economic slowdowns, the occurrence or expectation of recessions, financial distress caused by recent or potential bank failures, elevated inflation and interest rates, and tightening of credit markets;
- other events or factors, including those resulting from geopolitical disputes (including but not limited to the ongoing conflict between Ukraine and Russia and geopolitical tensions involving China), pandemics (including COVID-19), incidents of terrorism or responses to these events; and
- the other factors described in this "Risk Factors" section and the section titled "Special Note Regarding Forward-Looking Statements" of this Quarterly Report on Form 10-Q.

The stock market experiences extreme price and volume fluctuations from time to time. The market prices of securities of companies, particularly technology companies, have experienced fluctuations that have often been unrelated or disproportionate to their results of operations. Market fluctuations could result in extreme volatility in the price of shares of our Class A common stock, which could cause a decline in the value of your investment. Price volatility may be greater if the public float and trading volume of shares of our Class A common stock is low. Furthermore, in the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and harm our business, financial condition, and results of operations. In addition, because we award RSUs to our employees as part of their total compensation package, and the value of those RSUs depends directly on our stock price, a sharp or prolonged decline in our stock price may make it more difficult for us to hire and retain our employees or may result in us granting more awards in the aggregate to hire and retain our employees.

The multi-class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our IPO.

Our Class B common stock has 10 votes per share, our Class A common stock, which is the stock we have listed on the New York Stock Exchange, has one vote per share, and our Class C common stock has no voting rights, except as otherwise required by law. Because of the ten-to-one voting ratio between our Class B and Class A common stock, holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval. This concentrated control will limit or preclude the ability of holders of Class A common stock to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that Class A common stockholders may feel are in their best interest as one group of our stockholders.

Future transfers by holders of shares of Class B common stock will generally result in those shares converting to Class A common stock, except for certain transfers permitted by our amended and restated certificate of incorporation, including (i) estate planning or other transfers among our co-founders and their family members, (ii) transfers to a bona fide trust primarily for the benefit of the transferor, such transferor's family members or a charitable organization, (iii) transfers to an investment retirement account, pension, profit sharing, stock bonus, or other type of plan where dispositive power and voting control with respect to the transferred shares of Class B common stock are retained by or granted solely to the transferor and/or permitted transferees, (iv) transfers to a corporation, partnership, or limited liability company in which the transferor and/or permitted transferees hold dispositive power and voting control, or (v) transfers to charitable organizations, foundations, or similar entities established, directly or indirectly, by a transferor in which the transferor and/or permitted transferees hold dispositive power and voting control. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those individual holders of Class B common stock who retain their shares in the long term.

Further, all shares of Class B common stock will be converted into shares of Class A common stock following the earliest to occur of (i) the date specified by the affirmative vote or consent of (a) the holders of a majority of the outstanding Class B common stock and (b) each of Mr. Biswas and Mr. Bicket to the extent he (together with his permitted assigns) then holds at least 25% of the Class B common stock held by him and his permitted assigns immediately prior to the completion of our IPO and is not then deceased or disabled; (ii) nine months following the death or disability of the later to die or become disabled of Messrs. Biswas and Bicket, which period may be extended to 18 months upon the consent of a majority of the independent directors then in office; and (iii) such date fixed by our Board of Directors following the date that the total number of shares of Class B common stock held by Messrs. Biswas and Bicket (together with their permitted assigns) equals less than 25% of the Class B common stock held by them immediately prior to the completion of our IPO.

In addition, because our Class C common stock carries no voting rights (except as otherwise required by law), if we issue Class C common stock in the future, the holders of Class B common stock may be able to elect all of our directors and to determine the outcome of most matters submitted to a vote of our stockholders for a longer period of time than would be the case if we had issued Class A common stock rather than Class C common stock in such future transactions.

Our multi-class structure may negatively affect the decision by certain institutional investors to purchase or hold shares of our Class A common stock.

The holding of low-voting stock, such as our Class A common stock, may not be permitted by the investment policies of certain institutional investors or may be less attractive to the portfolio managers of certain institutional investors. For example, certain index providers have announced restrictions on including companies with multiple class share structures in certain of their indexes. In July 2017, FTSE Russell announced that it would cease to include most newly public companies utilizing dual or multi-class capital structures in its indices, including the Russell 2000. Under the announced policies, our multi-class capital structure likely makes us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track such indices may not invest in our stock. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

An active and liquid market for our Class A common stock may not be sustained, which may make it difficult for investors to sell the Class A common stock they purchase.

We cannot predict if an active and liquid trading market for our Class A common stock will be sustained. If an active and liquid trading market for our Class A common stock is not sustained, you may have difficulty selling any of our Class A common stock at a price at or above the price at which you purchased your stock, or at all. If an active and liquid trading market for our Class A common stock is not sustained, our ability to raise capital to fund our operations by selling shares and our ability to acquire other companies or technologies by using our common stock as consideration may suffer.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors, and consultants under our equity incentive plans and issue shares of our Class A common stock under our employee stock purchase plan. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class A common stock depends, to some extent, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future.

We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Moreover, any debt we may incur in the future may restrict our ability to pay dividends. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment.

We are no longer an "emerging growth company," and, as a result, we now must comply with increased reporting and disclosure requirements, which may increase our costs.

We no longer qualify as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012. As a result, we are now subject to various disclosure and compliance requirements that did not previously apply to us, such as:

- the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act;
- the requirement that we adopt new or revised accounting standards when they are applicable to public companies, instead of delaying their adoption until they are applicable to private companies;

- compliance with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding obligatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and financial statements;
- the requirement that we provide full and more detailed disclosures regarding executive compensation; and
- the requirement that we hold a non-binding advisory vote on executive compensation and obtain stockholder approval of any golden parachute payments not previously approved.

We expect that the loss of emerging growth company status and compliance with these additional requirements will increase our legal and financial compliance costs and cause management and other personnel to divert attention from operational and other business matters to devote substantial time to public company reporting requirements. In addition, if we are not able to comply with changing disclosure or compliance requirements in a timely manner, the trading price of our Class A common stock could decline and we could be subject to sanctions or investigations by the New York Stock Exchange, the SEC, or other regulatory authorities, which would require additional financial and management resources.

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

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and place significant strain on our personnel, systems, and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight is required. We are required to disclose changes made in our internal control and procedures on a quarterly basis and we are required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could adversely affect our business and results of operations. Although we have already hired additional employees and have engaged outside consultants to assist us in complying with these requirements, we may need to hire more employees in the future or engage additional outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected.

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

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

Our management team has limited experience managing a public company.

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

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

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the New York Stock Exchange.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs, and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information and could materially and adversely affect our business, financial condition, and results of operations and could cause a decline in the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us, and the market price of our Class A common stock may be lower as a result.

There are provisions in our certificate of incorporation and bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by our stockholders. Such provisions include:

- our amended and restated certificate of incorporation provides for a multi-class common stock structure, which provides our pre-IPO stockholders, including certain of our executive officers, employees, directors, and their affiliates, with significant influence over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- our amended and restated certificate of incorporation requires approval of the holders of at least two-thirds of the outstanding shares of our Class B common stock voting as a separate class for certain corporate actions including (i) any direct or indirect amendment to the amended and restated certificate of incorporation that is inconsistent with or alters the voting, conversion or other rights, powers, preferences, privileges, or restrictions of the Class B common stock, (ii) reclassification of Class A common stock or Class C common stock into shares having rights as to dividends or liquidation that are senior to that of the Class B common stock, (iii) an increase to the voting power of the Class A common stock or Class C common stock, (iv) authorization or issuance of shares of any class or series of capital stock (other than Class B common stock) having more than one vote per share, and (v) issuance of additional shares of Class B common stock, with certain exceptions;
- our amended and restated certificate of incorporation and amended and restated bylaws authorize only our board of directors to fill vacant directorships, including newly created seats, and the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors;
- until the first date on which the outstanding shares of our Class B common stock represent less than a majority of the total voting power of the then outstanding shares entitled to vote generally in the election of directors, our stockholders will be able to take action by consent only if such action is first recommended or approved by our board of directors;
- a special meeting of our stockholders may only be called by the chairperson of our board of directors, our Chief Executive Officer, or a majority of our entire board of directors;
- our amended and restated certificate of incorporation does not provide for cumulative voting;
- certain litigation against us can only be brought in Delaware;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibit a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Any provision in our certificate of incorporation or our bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

Our business could be impacted as a result of actions by activist shareholders or others.

We may be subject, from time to time, to legal and business challenges in the operation of our company due to actions instituted by activist shareholders or others. Responding to such actions could be costly and time-consuming, may not align with our business strategies, and could divert the attention of our Board of Directors and senior management from the pursuit of our business strategies. Perceived uncertainties as to our future direction as a result of shareholder activism may lead to the perception of a change in the direction of the business or other instability and may affect our relationships with our end-customers, prospective and current employees and others.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, stockholders, officers, or other employees to us or our stockholders, (c) any action arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws, or (d) any action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court in Delaware or the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over the claims at issue and the indispensable parties; provided that the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America are the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing, holding, or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, stockholders, or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, officers, stockholders, or other employees. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. Further, in the event a court finds either exclusive forum provision contained in our amended and restated bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

General Risk Factors

Our business may be materially and adversely impacted by U.S. and global market, political, and economic conditions, including elevated inflation rates.

We generate our revenue from selling subscriptions to our Connected Operations Cloud to industries that depend on physical operations. These industries include transportation, wholesale and retail trade, construction, field services, logistics, utilities and energy, government, healthcare and education, manufacturing, food and beverage, and others. Given the concentration of our business activities in these industries and their heightened susceptibility to disruption in times of economic uncertainty, we will be particularly exposed to certain economic uncertainty and downturns. U.S. and global market and economic conditions have been, and continue to be, disrupted and volatile due to many factors, including financial distress caused by recent or potential bank failures, component shortages and related supply chain challenges, geopolitical developments such as the conflict between Ukraine and Russia and geopolitical tensions involving China, elevated inflation rates and the responses by central banking authorities to control such inflation, and the COVID-19 pandemic, among others. Other general business and economic conditions that could affect us and our customers include fluctuations in economic growth, liquidity of the global financial markets, foreign currency fluctuations, the availability and cost of credit, investor and consumer confidence, and the strength of the economies in which we and our customers operate.

Economic uncertainty and associated macroeconomic conditions make it extremely difficult for businesses to accurately forecast and plan future business activities, and have caused and may continue to cause businesses to cease or slow spending on information technology products, which has also caused, and could continue to cause, delays in and lengthening of sales cycles. Furthermore, during uncertain economic times, our customers have faced issues gaining timely access to sufficient credit on acceptable terms, which has from time to time resulted, and in the future may result, in an impairment of their ability to make timely payments to us. As a result, operational challenges and these volatile economic conditions have presented and may in the future present difficulties in our ability to timely collect accounts receivables from our customers due to their deteriorating financial condition. In addition, our existing customers may be acquired by or merged into other entities that use our competitors' products, they may decide to terminate their relationships with us for other reasons, or they may go out of business, each of which would have an adverse effect on our future revenue. Additionally, competitors may respond to challenging market conditions by lowering prices and attempting to lure away our customers.

We have limited experience operating our business at current scale under economic conditions characterized by high inflation or in a recessionary or uncertain economic environment. We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally, or any industry in particular. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be materially and adversely affected.

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate or that may change due to macroeconomic conditions or other unexpected trends. Our estimates and forecasts relating to the size and expected growth of our target markets may prove to be inaccurate. Even if the markets in which we compete meet our size estimates and growth forecasts, we may not successfully penetrate these markets and our business could fail to grow at a similar pace, if at all.

A heightened focus on evolving environmental, social, and governance issues by shareholders, customers, regulators, and other stakeholders may impose additional risks and costs on our business.

Environmental, social, and governance ("ESG") matters have become an area of heightened focus among our shareholders and other stakeholders, including among customers, employees, regulators, and the general public in the United States and abroad. In particular, companies face evolving rules, regulations, and expectations with respect to their practices, disclosures, and performance in relation to corporate responsibility, climate change, diversity, equity and inclusion, human capital management, data privacy and security, and supply chains (including human rights issues), among other topics. This has resulted in, and is likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on ESG initiatives, and collecting, measuring, and reporting ESG information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC's proposed climate-related reporting requirements and potential the EU's adopted ESG-related reporting requirements in the EU. requirements. These initiatives and related reporting requirements may present operational, reputational, financial, legal, and other risks, which could have a material impact on us.

Acquisitions, strategic investments, partnerships, or alliances could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our business, financial condition, and results of operations.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, and technologies that we believe could complement or expand our Connected Operations Cloud, enhance our technology, or otherwise offer growth opportunities. Any such acquisitions or investments may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties or incur significant costs assimilating or integrating the businesses, technologies, products, personnel, or operations of any acquired companies, particularly if the key personnel of an acquired company choose not to work for us, their software is not easily adapted to work with our solution, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise. Any such transactions that we are able to complete may not result in the synergies or other benefits we expect to achieve, which could result in substantial impairment charges, or may impact our financial condition or results of operations, which could adversely affect the price of our Class A common stock. These transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our financial position, costs, and financial flexibility.

Future litigation could have a material adverse impact on our results of operations and financial condition.

From time to time, we have been and continue to be subject to litigation, including the lease-related litigation disclosed in Note 9, "Commitments and Contingencies," to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The outcome of any litigation, regardless of its merits, is inherently uncertain. Regardless of the merits of any claims that may be brought against us, pending or future litigation could result in a diversion of management's attention and resources, and we may be required to incur significant expenses defending against these claims. If we are unable to prevail in litigation, we could incur substantial liabilities. Where we have applicable insurance, it might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us (including premium increases or the imposition of large deductible or co-insurance requirements). Where we can make a reasonable estimate of the liability relating to pending litigation and determine that it is probable, we record a related liability. As additional information becomes available, we assess the potential liability and revise estimates as appropriate. However, because of uncertainties relating to litigation, the amount of our estimates could be wrong. Any adverse determination related to litigation could require us to change our technology or our business practices, pay monetary damages, or enter into royalty or licensing arrangements, which could materially adversely affect our results of operations and cash flows, harm our reputation, or otherwise negatively impact our business.

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

Natural disasters or other catastrophic events, including pandemics such as the COVID-19 pandemic, may also cause damage or disruption to our operations, international commerce, and the global economy, and could have an adverse effect on our business, financial condition, and results of operations. For example, as a result of COVID-19 and the resulting economic conditions, we have experienced an increase in the average length of sales cycles to onboard new customers, delays in new projects and purchasing decisions, and requests by some customers for contract renegotiations or extension of payment obligations, all of which have adversely affected, and could materially and adversely impact, our business, financial condition, and results of operations in future periods. In addition, COVID-19 has disrupted the operations of our customers and technology partners, including as a result of supply chain constraints or uncertainty in the financial markets, all of which could negatively impact our business and results of operations. More generally, the COVID-19 pandemic has adversely affected economies and financial markets globally, leading to an economic downturn, which could adversely affect demand for our products, solution, has led to some of our customers going through bankruptcy proceedings, has adversely affected our ability to collect payments from our customers and could harm our business and results of operations. In addition, acts of terrorism and other geopolitical unrest could cause disruptions in our business or the businesses of our customers and partners or the economy as a whole.

In the event of a natural disaster, including a major earthquake, blizzard, flood, or hurricane, or a catastrophic event such as a fire, power loss, or telecommunications failure, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our solution, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future results of operations. For example, our main corporate offices are located in California, a state that frequently experiences earthquakes. Additionally, any natural disaster, power outage, connectivity issue, or other event could adversely affect the ability of our remote employees to work. All the aforementioned risks may be further increased if we do not implement an adequate disaster recovery plan or our partners' disaster recovery plans prove to be inadequate.

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

On December 17, 2021, we completed our IPO. The offer and sale of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-261204), which was declared effective by the SEC on December 14, 2021.

There has been no material change in the planned use of proceeds from the IPO as described in our final prospectus dated December 14, 2021 and filed on December 15, 2021 with the SEC pursuant to Rule 424(b) under the Securities Act.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. Rule 10b5-1 Trading Arrangements

During the quarterly period ended July 29, 2023, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K, Item 408.

Item 6. Exhibits

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	**Description**	**Form**	**File Number**	**Exhibit**	**Filing Date**
3.1	Amended and Restated Certificate of Incorporation of the registrant, as amended and currently in effect.	S-1	333-261204	3.2	11/19/2021
3.2	Amended and Restated Bylaws of the registrant, effective November 30, 2022.	10-Q	001-41140	3.2	12/6/2022
10.11*+	Employment letter between the registrant and Andy McCall.				
31.1*	Section 302 Certification of Principal Executive Officer.				
31.2*	Section 302 Certification of Principal Financial Officer.				
32.1*#	Section 906 Certification of Principal Executive Officer.				
32.2*#	Section 906 Certification of Principal Financial Officer.				
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				

101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
*	Filed herewith.
+	Indicates management contract or compensatory plan.
#	The certifications attached as Exhibit 32.1 and 32.2 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of the Registrant’s filings under the Securities Act of 1933, as amended, irrespective of any general incorporation language contained in any such filing.

		Incorporated by Reference			
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3.1	Amended and Restated Certificate of Incorporation of the registrant, as amended and currently in effect.	S-1	333-261204	3.2	11/19/2021
3.2	Amended and Restated Bylaws of the registrant, effective November 30, 2022.	10-Q	001-41140	3.2	12/6/2022
10.12*	Consulting Agreement between the registrant and Andy McCall, effective as of July 30, 2023.				
31.1*	Section 302 Certification of Principal Executive Officer.				
31.2*	Section 302 Certification of Principal Financial Officer.				
32.1*#	Section 906 Certification of Principal Executive Officer.				
32.2*#	Section 906 Certification of Principal Financial Officer.				
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				
*	Filed herewith.				
#	The certifications attached as Exhibit 32.1 and 32.2 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of the Registrant’s filings under the Securities Act of 1933, as amended, irrespective of any general incorporation language contained in any such filing.				

SIGNATURES

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

SAMSARA INC.

Date: June 6, September 5, 2023

By: /s/ Sanjit Biswas
Sanjit Biswas
Chief Executive Officer
(Principal Executive Officer)

Date: June 6, September 5, 2023

By: /s/ Dominic Phillips
Dominic Phillips
Chief Financial Officer
(Principal Financial Officer)

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Exhibit 10.11 10.12

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Samsara Inc.

November 12, 2021

Andy McCall

Samsara Inc.
350 Rhode Island Street
4th Floor, South Building
San Francisco, CA 94103

Re: Confirmatory Employment Letter

Dear Andy:CONSULTING AGREEMENT

This letter agreement Consulting Agreement (the "Agreement") is entered into between made as of the undersigned (" full execution of this Agreement and will be effective as of July 30, 2023 (the "you Effective Date") by and between Samsara Inc., a Delaware corporation (the "Company" or " "Samsara"), and Andy McCall ("we Consultant"). This Agreement is effective as of the date you sign it (the "Effective Date"), as indicated below. The purpose of this Agreement is to confirm the current terms and conditions of your employment.

1. **Position Consulting Relationship. Your position** During the "Engagement Period" (as defined in Section 4 below), Consultant will continue provide consulting services to be Executive Vice President, Chief Revenue Officer and you will continue to report the Company as Senior Advisor to the Company's Chief Executive Officer. This is a full-time position. You will perform the duties Officer, described in Exhibit A (the "Services"), attached hereto and have the responsibilities and authority customarily performed and held incorporated herein by an employee in your position or as otherwise this reference. The Services may be assigned or delegated to you provided by Consultant, and consultation may be sought by the Company. While you render services to Company, at the Company, you will not engage in any other employment, consulting Company's offices, over email, video conference, or other business activity (whether full-time telephone, or part-time) that would create a conflict of interest with the Company or that is in any way competitive with the business or proposed business of the Company, nor will you assist any other person or organization in competing with the Company or in preparing to engage in competition with the business or proposed business of the Company, except another reasonable location and at reasonable times (all as approved specified by the Company's Board of Directors (the "Board") Company). By signing this Agreement, you reconfirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

2. **Base Salary Compensation and Extended COBRA. Your current annual base salary is $375,000, which** Consultant will be payable, less applicable withholdings not receive any additional compensation as consideration, including but not limited to cash payments or bonuses, for the Services except as listed in subsections (a) and deductions, in accordance with the Company's normal payroll practices. Your annual base salary will be subject to review and adjustment based upon the Company's normal performance review practices. (b) below.

3. **Performance Bonus**. You are eligible to earn an annual cash bonus with a target value of 100% of your annual base salary, based on achieving performance objectives established by the Board or an authorized committee thereof (the "Committee") in its sole discretion and payable upon achievement of those objectives as determined by the Committee. For fiscal 2022, your bonus, to the extent earned, will be paid in accordance with the FY22 bonus plan as adopted by the Committee, as such plan may be amended, subject to you remaining employed with the Company through the applicable payment date. Your annual bonus opportunity will be subject to review and adjustment based upon the Company's normal performance review practices.

4.a. **Equity Awards Vesting.**. You have been granted various equity awards by the Company. Those equity awards Consultant shall continue to be governed entitled to vest in all respects by his restricted stock unit ("RSU") awards outstanding as of the Effective Date pursuant to and in accordance with, as applicable, the terms of the applicable equity agreements, grant notices, Company's 2015 Equity Incentive Plan, as amended (the "2015 Plan"), the Company's 2021 Equity Incentive Plan (the "2021 Plan") and equity plans.

5. the Restricted Stock Unit Agreements between the Company and Consultant thereunder. In addition, nothing in this Agreement shall impact Consultant's continuing right to exercise his stock options ("Employee Benefits Stock Options. As a regular full-time employee" and together with the RSUs, the "Equity Awards") outstanding as of the Company, you will continue Effective Date, pursuant to be eligible to participate in Company-sponsored benefits and in accordance with the terms of the Company's policies applicable stock option agreements between the Company and benefits plan. In addition, you Consultant (the "Stock Option Agreements" and, together with the RSU Agreements, the "Award Agreements"). Any portion of an Equity Award that is scheduled to vest following the Contract Termination Date (as defined below) immediately will receive all additional coverages be forfeited to the Company on the Effective Date and benefits provided at no cost to the Company, executives, including director and officer liability insurance. With the exception notwithstanding any contrary provision of the Award Agreements. All Equity Awards remain subject to the terms and conditions of the Award Agreements. For the avoidance of doubt, there will be no break in service for equity vesting purposes when Consultant terminates employment and immediately thereafter commences providing Services pursuant to this Agreement.

b. **COBRA.** The Company has delivered information to you about continued group health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). To continue such coverage, you must file the required election form. Upon your timely election to continue your existing health benefits under COBRA, and consistent with the terms of COBRA and the Company's at-will employment policy, discussed below, health insurance plan, the Company may, from time will pay the insurance premiums to time, continue your existing health benefits through the Contract Termination Date. You will remain responsible for, and must continue to pay, the portion of premiums, co-payments, etc. that you would have paid had your employment continued.

3. **Expenses.** Consultant shall not be authorized to incur any expenses on the Company's behalf and shall be responsible for all expenses incurred while performing the Services unless specifically authorized by the Company in its sole discretion, modify advance in writing. Authorized expenses will only be reimbursed upon the submission of a receipt, invoice, or eliminate its policies and/ other documentation in accordance with the Company's generally applicable policies.

4. **Term and Termination.**

a. **Term.** This Agreement and Consultant's provision of the Services shall commence on the Effective Date and terminate on December 31, 2023 ("Engagement Period" or benefits offered "Term"), unless earlier terminated pursuant to employees. the terms hereof, or unless extended by agreement of the parties hereto (whichever date applies being the "Contract Termination Date").

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6.b. **Severance Benefits Termination. You will be eligible for the Company's Executive Change in Control and Severance Plan (the "**Severance Plan"), attached hereto as Exhibit A, as of the Effective Date. Your Participation Agreement under the Severance Plan will specify the severance payments and benefits you could be eligible to receive in connection with certain terminations of your employment with the Company. These protections will supersede all other severance payments and benefits you would otherwise currently be eligible for, or would become eligible for in the future, under any plan, program or policy that the Company may have in effect from time to time.

7. **Employee Invention Assignment and Confidentiality Agreement**. As an employee of the Company, you will continue to have access to certain confidential information of the Company and you may, during the course of your employment, develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, your acceptance of this Agreement confirms that you are subject to the terms of the Company's Employee Invention Assignment and Confidentiality Agreement attached hereto as Exhibit B (the "Invention Assignment and Confidentiality Agreement").

8. **Arbitration Agreement.** Your acceptance of this Agreement confirms that you are subject to the terms of the Company's Arbitration Agreement (the "Arbitration Agreement").

9. **Employment Relationship**. Employment with the Company will continue to be for no specific period of time. Your employment with the Company will continue to be "at will," meaning that either you or the The Company may terminate your employment this Agreement at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this Agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the The "at will" nature of your employment this Agreement may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you). Either party may terminate this Agreement upon written notice where the other party is in default or material breach of the terms of this Agreement and fails to cure such default or breach within ten (10) days of written notice. In the event of termination, the Equity Awards will be treated in accordance with the terms of the respective Award Agreement(s). The provisions of Sections 5(a)–(c), 8–13, and 14-15 shall survive the expiration or termination of this Agreement.

10.5. **Governing Law; Venue Independent Contractor.** Consultant's relationship with the Company will be that of an independent contractor and not that of an employee.

a. **No Authority to Bind the Company.** Consultant acknowledges and agrees that Consultant has no authority to enter into contracts that bind the Company or create obligations on the part of the Company without the prior written authorization of the Company.

b. **No Benefits.** Consultant acknowledges and agrees that Consultant shall not be eligible for any Company employee benefits and, to the extent Consultant otherwise would be eligible for any Company employee benefits but for the express terms of this Agreement, Consultant (on behalf of himself and his employees) expressly declines to participate in such Company employee benefits. For purposes of this Agreement, "Company employee benefits" shall include, but not be limited to, any compensation or benefits Consultant may otherwise be entitled to receive pursuant to the Company policies, or provided in Offer Letters or other purported employment agreements between you and the Company. Notwithstanding the foregoing, the provisions of the Executive Change in Control and Severance Plan (including the related Participation Agreement between the Company and Consultant) in effect as of the Effective Date, only insofar as they relate to the Equity Awards, to the extent any remain outstanding, shall remain in full force and effect; otherwise, such agreement shall be terminated (including, for the avoidance of doubt, with respect to any cash or other severance benefits).

c. **Taxes; Indemnification.** Consultant shall have full responsibility for the applicable taxes for all compensation paid to Consultant under this Agreement. In addition, Consultant shall have full responsibility for compliance with all other applicable labor and employment requirements with respect to Consultant's self-employment, sole proprietorship or other form of business organization. Consultant agrees to indemnify, defend and hold the Company harmless from any liability for, or assessment of, any claims or penalties with respect to such withholding taxes, labor or employment requirements.

d. **Pre-existing Employee Arbitration Agreement.** This Consulting Agreement does not modify or supersede your existing agreement to arbitrate employment-related disputes, if any, related to your former employment with the Company as detailed in your November 12, 2021 Confirmatory Employment Letter (Exhibit C) with the Company.

6. **Non-exclusive relationship.** During the term of this Agreement, Consultant is free to represent and perform services for, or enter into contracts with, and/or be employed by other clients, persons, or corporations at Consultant's sole discretion, so long as the performance of any such services or employment shall neither preclude, or in any way interfere or conflict with Consultant's obligations pursuant to this Agreement or the Samsara Code of Conduct Policy and Samsara Conflicts of Interest Policy. Contractor agrees that he will not, directly or indirectly, in any individual or representative capacity, engage or participate in or provide services to any business that is competitive with the types and kinds of business being conducted by Company.

7. **Reporting.** Consultant will be required to report to the Chief Executive Officer (the "Company Designee") concerning the Services performed under this Agreement. The nature and frequency of these reports will be left to the discretion of Company Designee.

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8. **Confidential Information**. All questions Any Confidential Information (as defined below) that Consultant learns, obtains, accesses or creates, shall be held in the strictest confidence unless that Confidential Information becomes either publicly and widely known or is made generally available through no wrongful act of Consultant. Consultant shall not use Confidential Information for any purpose other than performing the Consultant's obligations under this Agreement. Consultant shall not disclose Confidential Information to any person, firm, corporation or other entity, or make copies of Confidential Information, without written authorization from the Company. "Confidential Information" means information and physical material not generally known or available outside the Company and information and physical material entrusted to the Company in confidence by third parties. Confidential Information includes, without limitation: (i) Inventions (as defined below) and other Company inventions; and (ii) technical data, trade secrets, know-how, research, product or service ideas or plans, software codes and designs, developments, inventions, laboratory notebooks, processes, formulas, techniques, lists of, or information relating to, suppliers and customers, pricing methodologies, cost data, market share data, marketing plans, licenses, contract information, business plans, financial forecasts, historical financial data, budgets or other business information disclosed to Consultant by the Company either directly or indirectly, whether in writing, electronically, orally, or by observation. Consultant's obligations concerning the construction, validity and interpretation Company's Confidential Information shall survive the termination or expiration of this Agreement and the exhibits hereto Engagement Period.

9. **Assignment**. All works of authorship, designs, inventions, improvements, technology, developments, discoveries, ideas, concepts, know-how, and trade secrets conceived, authored, made, developed, discovered, or reduced to practice by Consultant during the Engagement Period, solely or jointly with others, in connection with, or as a result of, the Services performed for Company (collectively, "Inventions") will be the sole property of Company. Consultant agrees that Consultant will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designee, all Consultant's right, title and interest throughout the world in and to any and all Inventions and all patent, copyright, trademark, trade secret and other intellectual property rights ("Intellectual Property Rights") associated with the Inventions. Consultant hereby waives and irrevocably quit claims to the Company or its designee any and all claims, of any nature whatsoever, that Consultant now has or may hereafter have for infringement of any and all Inventions.

10. **Further Assurances**. Consultant will assist Company and its designees in every proper way to secure the Company's rights, including without limitation any and all Intellectual Property Rights, in the Inventions throughout the world. Consultant will disclose to Company all pertinent information and data with respect to Inventions and related Intellectual Property Rights. Consultant will execute all applications, specifications, oaths, assignments, and other instruments that Company deems necessary in order to apply for and obtain these rights and in order to assign and convey to Company, its successors, assigns, and nominees the sole and exclusive right, title, and interest in and to these Inventions, and any related Intellectual Property Rights. Consultant's obligation to provide assistance will continue after the termination or expiration of this Agreement and the Engagement Period.

11. **Pre-Existing and Third Party Materials**. If in the course of performing the Services, Consultant incorporates into any Invention any other work of authorship, invention, improvement, or proprietary information, or other materials owned by Consultant or in which Consultant has an interest, Consultant will promptly inform Company. Whether or not Consultant gives such notice, Consultant hereby grants to Company a nonexclusive, royalty free, perpetual, irrevocable, worldwide license to reproduce, manufacture, modify, make derivative works of, distribute, sell, use, import, and otherwise exploit the material under all applicable intellectual property laws without restriction of

any kind. If Consultant incorporates into any Invention any third party materials and/or intellectual property ("Third Party IP"): (a) Consultant will promptly so inform Company; (b) Consultant hereby grants to Company a royalty free, perpetual, irrevocable, worldwide sub-license to the Third Party IP; (c) Consultant hereby warrants and represents that (i) it has the requisite rights and authority to incorporate such Third Party IP into the Invention(s) and sublicense to Company the rights thereto and (ii) the exercise by Company of any rights granted to Company hereunder will not infringe the rights of any third party; and (d) Consultant shall defend, indemnify and hold harmless Company from all claims arising from Company's use of the Third Party IP.

12. **Attorney in Fact**. If Consultant's unavailability or any other factor prevents Company from pursuing or applying for any application for any United States or foreign registrations or applications covering the Inventions and related Intellectual Property Rights assigned to Company, then Consultant irrevocably designates and appoints Company as Consultant's agent and attorney in fact. Accordingly, Company may act for and in Consultant's behalf and stead to execute and file any applications and to do all other lawfully permitted acts to further the prosecution and issuance of the registrations and applications with the same legal force and effect as if executed by Consultant.

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13. **Solicitation of Employees, Consultants and Other Parties.** Consultant agrees that during the Term, and for a period of twelve (12) months following the Contract Termination Date, Consultant shall not either directly or indirectly, in any individual or representative capacity, a) solicit, induce, recruit or encourage any of the Company's employees or consultants to terminate their relationship with the Company, or attempt to solicit, induce, recruit, encourage or take away employees or consultants of the Company, either for itself or for any other person or entity; or b) solicit, divert or take away, or attempt to divert or take away, the business or patronage of any of the clients, customers, or business partners of the Company which Consultant contacted, solicited, or served during the shorter of the twelve (12)-month period prior to the conclusion of Consultant's Services for the Company or the period of Consultant's Services for the Company.

14. **Conflicts with this Agreement.** Consultant represents and warrants that Consultant is not under any pre-existing obligation in conflict or in any way inconsistent with the provisions of this Agreement. Consultant represents and warrants that Consultant's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Consultant in confidence or in trust prior to commencement of this Agreement. Consultant represents and warrants that Consultant has the right to disclose and/or or use all ideas, processes, techniques and other information, if any, which Consultant has gained from third parties, and which Consultant discloses to the Company or uses in the course of performance of this Agreement, without liability to such third parties. Notwithstanding the foregoing, Consultant agrees that Consultant shall not bundle with or incorporate into any deliveries provided to the Company herewith any third party products, ideas, processes, or other techniques, without the express, written prior approval of the Company. Consultant represents and warrants that Consultant has not granted and will not grant any rights or licenses to any intellectual property or technology that would conflict with Consultant's obligations under this Agreement. Consultant shall not knowingly infringe upon any copyright, patent, trade secret or other property right of any former client, employer or third party in the performance of the Services.

15. **Arbitration.** Except for any claim for injunctive relief arising out of a breach of a party's obligations to protect the other's proprietary information, the parties agree to arbitrate, in San Francisco County, California through JAMS, any and all disputes or claims arising out of or related to the validity, enforceability, interpretation, performance or breach of this Agreement, whether sounding in tort, contract, statutory violation or otherwise, or involving the construction or application or any of the terms, provisions, or conditions of this Agreement. Any arbitration may be initiated by a written demand to the other party. The arbitrator's decision shall be final, binding, and conclusive. The parties further agree that this Agreement is intended to be strictly construed to provide for arbitration as the sole and exclusive means for resolution of all disputes hereunder to the fullest extent permitted by law. The parties expressly waive any entitlement to have such controversies decided by a court or a jury.

16. **Miscellaneous.**

a. **Assignment.** Neither party may assign this Agreement without the other party's prior written consent, provided, however, that Company may assign this Agreement without Consultant's prior written consent to any entity that acquires all or substantially all of the business or assets of Company, whether by merger, reorganization, acquisition, sale or otherwise. Any assignment made in conflict with this provision shall be void, and this Agreement shall benefit and bind the permitted successors and assigns of the parties.

b. **Amendments and Waivers.** Any term of this Agreement may be amended only with the written consent of the Company. The Company shall not be deemed hereby to have waived any rights or remedies it may have in law or equity, nor to have given any authorizations or waived any of its rights under this Agreement, unless, and only to the extent, it does so by a specific writing signed by a duly authorized officer of the Company. Any subsequent change or changes in Consultant's duties, obligations, rights or compensation will not affect the validity or scope of this Agreement.

c. **Entire Agreement.** This Agreement, including the Exhibits, constitutes the entire agreement of the parties and supersedes all oral negotiations and prior or contemporaneous writings with respect to the subject matter hereof, except that the Award Agreements shall continue in full force and effect.

d. **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice.

e. **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice the principles of law or conflict of law laws.

f. **Severability.** If any provision, or rule (whether any portion of any provision, of this Agreement is held to be unenforceable under applicable law, the parties agree to renegotiate that provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) that provision shall be excluded from this Agreement, (ii) the balance of the State of California or any other jurisdiction) that would cause Agreement shall be interpreted as if the application provision were so excluded and (iii) the balance of the laws of any jurisdiction other than the State of California. Any lawsuit arising out of or in any way related to this Agreement to the Parties' relationship hereunder shall be brought only enforceable in those state or federal courts having jurisdiction over actions arising in San Francisco County in the State of California. accordance with its terms.

11. g. **Miscellaneous Counterparts. This Agreement, together with your Participation Agreement, Invention Assignment and Confidentiality Agreement, Arbitration Agreement, equity agreements, and other agreements referenced herein, constitute the entire agreement between you and the Company regarding the subject matters discussed, and they supersede all prior negotiations, representations or agreements between you and the Company.** This Agreement may only be modified by a written agreement signed by you executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the Company's Chief Executive Officer. same instrument.

To confirm h. **Advice of Counsel.** EACH PARTY ACKNOWLEDGES THAT, IN EXECUTING THIS AGREEMENT, SUCH PARTY HAS HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT LEGAL COUNSEL, AND HAS READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT SHALL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION HEREOF.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the current terms and conditions of your employment, please sign and date in the spaces indicated and return parties have signed this Agreement to as of the Company. Effective Date.

COMPANY:	**Sincerely, Consultant:**
Samsara Inc.	**SAMSARA INC. Andy McCall**
By:	/s/ Sanjit Biswas Adam Eltoukhy By: /s/ Andy McCall
	Sanjit Biswas
	Chief Executive Officer

I have read and understood this Agreement and hereby acknowledge, accept and agree to the terms as set forth herein and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Name: Adam Eltoukhy

Name: Andy McCall

Andy McCall Title: Chief Legal Officer

Date: June 29, 2023

November 12, 2021

Date: June 29, 2023

Attachment:

<u>Exhibit A</u> – Consultant Statement of Services

<u>EXHIBIT A</u>

SAMSARA INC. Consultant Statement of Services

EXECUTIVE CHANGE IN CONTROL AND This Consultant Statement of Services is issued under and subject to all of the terms and conditions of the Consultant Agreement dated July 30, 2023 by and between Samsara Inc. ("<u>Company</u>") and Andy McCall ("<u>Consultant</u>").

SEVERANCE PLAN AND SUMMARY PLAN DESCRIPTION Services

Consultant will serve as a consultant to the Company and advise the Company's management, employees and agents, at reasonable times, in matters related to the Company's actual and planned business, as requested by the Company for the duration of the Term (the "**Services**").

The Services, shall include, but shall not be limited to:

1. Providing services to the Company to ensure an orderly transition of Consultant's former employment responsibilities to other Samsara employees, consultants, or agents;

2. Cooperating with Company and its counsel in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate in any way to events or occurrences that transpired while Consultant was employed by the Company.

<u>EXHIBIT B</u>

EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT

EXHIBIT C

SAMSARA INC.

ARBITRATION AGREEMENT

-6- Page 7 of 7

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sanjit Biswas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Samsara 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: June 6, September 5, 2023

By: /s/ Sanjit Biswas
Sanjit Biswas
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dominic Phillips, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Samsara 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: June 6, September 5, 2023

By: /s/ Dominic Phillips
Dominic Phillips
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

I, Sanjit Biswas, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Samsara Inc. for the period ended April 29, 2023July 29, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Samsara Inc.

Date: June 6, September 5, 2023

By: /s/ Sanjit Biswas

Sanjit Biswas
Chief Executive Officer
(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

I, Dominic Phillips, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Samsara Inc. for the period ended April 29, 2023July 29, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Samsara Inc.

Date: June 6, September 5, 2023

By: /s/ Dominic Phillips

Dominic Phillips
Chief Financial Officer
(Principal Financial Officer)

DISCLAIMER

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