

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

FORM 10-Q

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from to

Commission file number: 001-40276

Semrush Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

84-4053265

(I.R.S. Employer
Identification Number)

800 Boylston Street, Suite 2475

Boston , MA 02199

(Address of principal executive offices including zip code)

(800) 851-9959

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.00001 par value per share	SEMR	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 or ☐ No.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes or ☐ No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See 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 ☐

Non-accelerated filer ☐

Accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☒

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

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

As of August 1, 2023, there were 119,084,160 shares of the registrant's Class A Common Stock and 23,657,057 shares of the registrant's Class B Common Stock, \$0.00001 par value per share, outstanding.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1.	<u>Financial Statements</u> <u>1</u>
	<u>Unaudited Condensed Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022</u> <u>1</u>
	<u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2023 and 2022</u> <u>2</u>
	<u>Unaudited Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2023 and 2022</u> <u>3</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022</u> <u>4</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u> <u>5</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> <u>29</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u> <u>43</u>
Item 4.	<u>Controls and Procedures</u> <u>44</u>
Part II. Other Information	
Item 1.	<u>Legal Proceedings</u> <u>46</u>
Item 1A.	<u>Risk Factors</u> <u>46</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <u>82</u>
Item 5.	<u>Other Information</u> <u>82</u>
Item 6.	<u>Exhibits</u> <u>82</u>
	<u>Signatures</u> <u>84</u>

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our future financial performance, including our revenue, annual recurring revenue (“ARR”), dollar-based net revenue retention rate, costs of revenue, gross profit or gross margin and operating expenses;
 - the sufficiency of our cash and cash equivalents to meet our liquidity needs;
 - anticipated trends and growth rates in our business and in the markets in which we operate;
 - our ability to maintain the security and availability of our internal networks and platform;
 - our ability to attract new paying customers and convert free customers into paying customers;
 - our ability to retain and expand sales to our existing paying customers, including upgrades to premium subscriptions and purchases of add-on offerings;
 - our ability to access, collect, and analyze data;
 - our ability to successfully expand in our existing markets and into new markets;
 - our ability to effectively manage our growth and future expenses;
 - our ability to continue to innovate and develop new products and features, improve our data assets, and enhance our technological capabilities;
 - our ability to maintain, protect, and enhance our intellectual property;
 - our ability to build, maintain, and enhance our brand, including through informational resources, advertisements, and referrals;
 - our ability to comply with modified or new laws and regulations applying to our business, including in any new jurisdictions in which we operate;
 - the attraction and retention of qualified employees and key personnel;
 - our anticipated investments in sales and marketing, and research and development;
 - our ability to successfully defend litigation brought against us;
-

- our expectations regarding identifying, evaluating, executing, and integrating strategic acquisitions;
- the increased expenses associated with being a public company; and
- the impact of health epidemics, such as the COVID-19 pandemic, rising inflation and fluctuating interest rates, market uncertainty and volatility, and other global financial, economic, and political events on our business, industry and supply chain.

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 and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

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

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

Risk Factors Summary

The following is a summary of the principal risks that could materially adversely affect our business, results of operations, and financial condition. Additional discussion of the risks included in this summary, and other risks that we face, can be found below and should be carefully considered, together with other information in this Quarterly Report on Form 10-Q in its entirety before making investment decisions regarding our Class A common stock. This summary should not be relied upon as an exhaustive summary of the material risks facing our business.

- Our business and operating results will be harmed if our paying customers do not renew or do not upgrade their premium subscriptions or if they fail to purchase additional products.
 - If we fail to attract new potential customers, register them for trials, and convert them into paying customers, our operating results would be harmed.
 - The market in which we operate is intensely competitive, and if we do not compete effectively, our ability to attract and retain customers could be harmed, which would negatively impact our business and operating results.
 - We have incurred losses in the past and may not consistently achieve profitability in the future.
 - Our products depend on publicly available and paid third-party data sources, and, if we lose access to data provided by such data sources or the terms and conditions on which we obtain such access becomes less favorable, our business could suffer.
 - If we are unable to maintain and enhance our brand, or if events occur that damage our reputation and brand, our ability to maintain and expand our customer base may be impaired, and our business and financial results may be harmed.
 - We depend on our executive officers and other key employees, and the loss of one or more of these employees could harm our business.
 - If we fail to maintain and improve our methods and technologies, or fail to anticipate new methods or technologies for data collection and analysis, hardware, software, and software-related technologies, competing products and services could surpass ours in depth, breadth, or accuracy of our data, the insights that we offer or in other respects, which could result in a loss of customers and harm our business and financial results.
 - Failures or loss of, or material changes with respect to, the third-party hardware, software, and infrastructure on which we rely, including third-party data center hosting facilities and third-party distribution channels to support our operations, could adversely affect our business.
 - If the security of the confidential information or personal information of our customers on our platform is breached or otherwise subjected to unauthorized access or disclosure, our reputation may be harmed, and we may be exposed to significant liability.
 - If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of customer service and customer satisfaction, or attract new employees and customers and our business could suffer.
 - We are exposed to risks associated with payment processing and any disruption to such processing systems could adversely affect our business and results of operations.
-

- A significant portion of our operations is located outside of the United States, which subjects us to additional risks, including increased complexity, the costs of managing international operations, geopolitical instability, and fluctuations in currency exchange rates.
 - Adverse or weakened general economic and market conditions may reduce spending on sales and marketing technology and information technology which could harm our revenue, results of operations, and cash flows.
 - Forecasts of our market and market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, there can be no assurance that our business will grow at similar rates, or at all.
 - We may be subject to litigation for any of a variety of claims, which could harm our reputation and adversely affect our business, results of operations, and financial condition.
 - The dual 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 initial public offering ("IPO"), including our directors, executive officers, and their affiliates, who as of June 30, 2023 held in the aggregate 81% of the voting power of our capital stock, which will limit your ability to influence corporate matters.
-

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

SEMRUSH HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	As of	
	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 24,072	\$ 79,765
Short-term investments	199,678	157,774
Accounts receivable	4,286	3,559
Deferred contract costs, current portion	7,404	6,974
Prepaid expenses and other current assets	16,898	9,307
Total current assets	252,338	257,379
Property and equipment, net	6,534	8,076
Operating lease right-of-use assets	11,188	12,009
Intangible assets, net	12,209	10,286
Goodwill	7,853	6,529
Deferred contract costs, net of current portion	2,565	2,082
Other long-term assets	1,202	2,329
Total assets	\$ 293,889	\$ 298,690
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 10,246	\$ 15,495
Accrued expenses	16,469	17,847
Deferred revenue	55,937	49,354
Current portion of operating lease liabilities	3,770	3,694
Other current liabilities	2,411	2,311
Total current liabilities	88,833	88,701
Deferred revenue, net of current portion	263	122
Deferred tax liability	100	11
Operating lease liabilities, net of current portion	8,125	8,929
Other long-term liabilities	674	1,023
Total liabilities	97,995	98,786
Commitments and contingencies (Note 16)		
Stockholders' equity		
Undesignated preferred stock, \$ 0.00001 par value - 100,000 shares authorized, and no shares issued or outstanding as of June 30, 2023 or December 31, 2022	—	—
Class A common stock, \$ 0.00001 par value - 1,000,000 shares authorized, and 119,030 shares issued and outstanding as of June 30, 2023; 43,743 shares issued and outstanding as of December 31, 2022	1	—
Class B common stock, \$ 0.00001 par value - 160,000 shares authorized, and 23,657 shares issued and 23,604 outstanding as of June 30, 2023; 97,897 shares issued and 97,844 outstanding as of December 31, 2022	—	1
Additional paid-in capital	281,184	274,057
Accumulated other comprehensive loss	(2,204)	(1,206)
Accumulated deficit	(83,087)	(72,948)
Total stockholders' equity	195,894	199,904
Total liabilities and stockholders' equity	\$ 293,889	\$ 298,690

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

SEMRUSH HOLDINGS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 74,693	\$ 62,610	\$ 145,563	\$ 119,738
Cost of revenue	12,972	12,598	25,611	24,185
Gross profit	61,721	50,012	119,952	95,553
Operating expenses				
Sales and marketing	30,237	30,894	65,733	56,724
Research and development	14,116	9,671	27,996	17,809
General and administrative	19,388	14,218	38,028	28,381
Exit costs	309	3,485	1,292	3,485
Total operating expenses	64,050	58,268	133,049	106,399
Loss from operations	(2,329)	(8,256)	(13,097)	(10,846)
Other income, net	2,919	711	4,624	870
Income (loss) before income taxes	590	(7,545)	(8,473)	(9,976)
Provision for income taxes	869	739	1,666	879
Net loss	\$ (279)	\$ (8,284)	\$ (10,139)	\$ (10,855)
Net loss per share attributable to common stockholders:				
Basic and diluted	\$ 0.00	\$ (0.06)	\$ (0.07)	\$ (0.08)
Weighted-average number of shares of common stock used in computing net loss per share attributable to common stockholders:				
Basic and diluted	142,239	141,042	141,946	140,921
Net loss	\$ (279)	\$ (8,284)	\$ (10,139)	\$ (10,855)
Other comprehensive loss				
Foreign currency translation adjustments	(120)	(857)	245	(1,121)
Unrealized loss on investments	(1,160)	—	(1,243)	—
Comprehensive loss	\$ (1,559)	\$ (9,141)	\$ (11,137)	\$ (11,976)

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

SEMRUSH HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances at December 31, 2021	31,841,061	\$ —	108,870,126	\$ 1	\$ 264,871	\$ (230)	\$ (39,100)	\$ 225,542
Conversion of Class B Common Stock to Class A Common Stock	10,842,862	—	(10,842,862)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	197,828	—	—	—	924	—	—	924
Issuance of common stock in connection with Employee Stock Purchase Plan	39,516	—	—	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	14,625	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	932	—	—	932
Cumulative translation adjustment	—	—	—	—	—	(264)	—	(264)
Net loss	—	—	—	—	—	—	(2,571)	(2,571)
Balances at March 31, 2022	42,935,892	—	98,027,264	1	266,727	(494)	(41,671)	224,563
Conversion of Class B Common Stock to Class A Common Stock	156,600	—	(156,600)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	143,667	—	—	—	270	—	—	270
Issuance of common stock upon vesting of restricted stock units	25,024	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	2,204	—	—	2,204
Cumulative translation adjustment	—	—	—	—	—	(857)	—	(857)
Net loss	—	—	—	—	—	—	(8,284)	(8,284)
Balances at June 30, 2022	43,261,183	\$ —	97,870,664	\$ 1	\$ 269,201	\$ (1,351)	\$ (49,955)	\$ 217,896
Balances at December 31, 2022	43,743,174	\$ —	97,843,570	\$ 1	\$ 274,057	\$ (1,206)	\$ (72,948)	\$ 199,904
Conversion of Class B Common Stock to Class A Common Stock	74,239,844	1	(74,239,844)	(1)	—	—	—	—
Issuance of common stock upon exercise of stock options	88,957	—	—	—	67	—	—	67
Issuance of common stock in connection with Employee Stock Purchase Plan	38,879	—	—	—	264	—	—	264
Issuance of common stock upon vesting of restricted stock units	71,557	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	2,796	—	—	2,796
Cumulative translation adjustment	—	—	—	—	—	365	—	365
Unrealized loss on investments	—	—	—	—	—	(83)	—	(83)
Net loss	—	—	—	—	—	—	(9,860)	(9,860)
Balances at March 31, 2023	118,182,411	1	23,603,726	—	277,184	(924)	(82,808)	193,453
Conversion of Class B Common Stock to Class A Common Stock	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	583,137	—	—	—	235	—	—	235
Issuance of common stock upon vesting of restricted stock units	264,920	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	3,765	—	—	3,765
Cumulative translation adjustment	—	—	—	—	—	(120)	—	(120)
Unrealized loss on investments	—	—	—	—	—	(1,160)	—	(1,160)
Net loss	—	—	—	—	—	—	(279)	(279)
Balances at June 30, 2023	119,030,468	\$ 1	23,603,726	\$ —	\$ 281,184	\$ (2,204)	\$ (83,087)	\$ 195,894

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

SEMRUSH HOLDINGS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended	
	June 30,	
	2023	2022
Operating Activities		
Net loss	\$ (10,139)	\$ (10,855)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation and amortization expense	3,135	4,221
Amortization of deferred contract costs	4,855	4,763
Non-cash income on investments	(3,201)	—
Non-cash lease expense	1,886	—
Stock-based compensation expense	6,561	3,136
Non-cash interest expense	105	53
Change in fair value of convertible debt securities	(380)	(1,028)
Deferred taxes	81	202
Other non-cash items	649	—
Changes in operating assets and liabilities		
Accounts receivable	(422)	109
Deferred contract costs	(5,768)	(6,033)
Prepaid expenses and other current assets	(5,869)	(4,874)
Accounts payable	(5,184)	(2,714)
Accrued expenses	(1,390)	4,818
Other current liabilities	—	1,589
Deferred revenue	6,958	7,240
Other long-term liabilities	—	(38)
Change in operating lease liability	(1,800)	—
Net cash (used in) provided by operating activities	(9,923)	589
Investing Activities		
Purchases of property and equipment	(957)	(2,798)
Purchases of short-term investments	(172,687)	—
Proceeds from sales and maturities of short-term investments	132,741	—
Purchases of convertible debt securities	(323)	(2,000)
Capitalization of internal-use software development costs	(2,630)	(782)
Cash paid for acquisition of businesses, net of cash acquired	(1,082)	(13,993)
Purchases of other investments	(150)	—
Net cash used in investing activities	(45,088)	(19,573)
Financing Activities		
Proceeds from exercise of stock options	302	1,194
Proceeds from issuance of shares in connection with Employee Stock Purchase Plan	264	—
Payment of finance leases	(1,209)	(1,445)
Net cash used in financing activities	(643)	(251)
Effect of exchange rate changes on cash and cash equivalents	(39)	(1,513)
Decrease in cash, cash equivalents and restricted cash	(55,693)	(20,748)
Cash, cash equivalents and restricted cash, beginning of period	79,765	269,841
Cash, cash equivalents and restricted cash, end of period	\$ 24,072	\$ 249,093
Supplemental cash flow disclosures		
Cash paid for interest	\$ 107	\$ 169
Cash paid for income taxes	\$ 1,160	\$ 479
Property and equipment purchases not paid	\$ 111	\$ —
Acquisition of fixed assets under finance leases	\$ —	\$ 433
Unrealized loss on short-term investments	\$ 1,243	\$ —

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

SEMRUSH HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2023 and 2022
(in thousands, except share and per share data, unless otherwise noted)

1. Overview and Basis of Presentation

Description of Business

Semrush Holdings, Inc. ("Semrush Holdings") and its subsidiaries (together the "Company", or "Semrush") provide an online visibility management software-as-a-service ("SaaS") platform. The Company's platform enables its subscribers to improve their online visibility and drive traffic, including on their websites and social media pages, and distribute highly relevant content to their customers on a targeted basis across various channels to drive high-quality traffic and measure the effectiveness of their digital marketing campaigns. The Company is headquartered in Boston, Massachusetts, and has wholly owned subsidiaries in Armenia, Canada, Cyprus, the Czech Republic, Germany, the Netherlands, Poland, Spain, Serbia, and the United States.

The Company is subject to a number of risks and uncertainties common to companies in similar industries and stages of development that could affect future operations and financial performance. These risks include, but are not limited to, rapid technological change, competitive pressure from substitute products or larger companies, protection of proprietary technology, management of international activities, the need to obtain additional financing to support growth, and dependence on third parties and key individuals.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

The unaudited condensed consolidated interim financial statements have been prepared on the same basis as the audited annual consolidated financial statements as of and for the year ended December 31, 2022, and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the Company's financial position as of June 30, 2023, and for the three and six months ended June 30, 2023 and 2022. The consolidated balance sheet as of December 31, 2022 included herein was derived from the audited consolidated financial statements as of that date.

The results for the three and six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023, any other interim periods, or any future year or period.

The 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 year ended December 31, 2022, filed with the SEC on March 15, 2023.

The accompanying unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the unaudited condensed consolidated financial statements. As of June 30, 2023, there have been no material changes in the Company's significant accounting policies from those that were disclosed in the Annual Report on Form 10-K, except as discussed below.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates relied upon in preparing these unaudited condensed consolidated financial statements include, but are not limited to, revenue recognition, expected future cash flows used to evaluate the recoverability of long-lived assets, contingent liabilities, expensing and capitalization of research and development costs for internal-use software, the average period of benefit associated with costs capitalized to obtain revenue contracts, the determination of the fair value of stock-based awards issued, stock-based compensation expense, the determination of the estimated fair value of the convertible notes held by the Company, the valuations of the intangible assets acquired through acquisitions, the estimation of the Company's incremental borrowing rate, and the recoverability of the Company's net deferred tax assets and related valuation allowance.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made.

Subsequent Events Considerations

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the unaudited condensed consolidated financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated as required. The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure, other than those disclosed in this Quarterly Report on Form 10-Q.

Emerging Growth Company Status

The Company is an "emerging growth company" ("EGC"), as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." The Company may take advantage of these exemptions until the Company is no longer an "emerging growth company." Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or

revised accounting standards. The Company has elected to use the extended transition period for complying with new or revised accounting standards and, as a result of this election, its condensed consolidated financial statements may not be comparable to companies that comply with public company effective dates. The Company may take advantage of these exemptions up until the last day of the year following the fifth anniversary of an offering or such earlier time that it is no longer an emerging growth company. The Company would cease to be an emerging growth company if it has more than \$1.07 billion in annual revenue, has more than \$700.0 million in market value of its stock held by non-affiliates, or it issues more than \$1.0 billion of non-convertible debt securities over a three-year period.

Revenue Recognition

The Company primarily derives revenue from subscription revenues via the Semrush online visibility management platform and the Prowly public relations platform, which are comprised of subscription fees from customers accessing the Company's SaaS services and related customer support. For the three and six months ended June 30, 2023 and 2022, subscription revenue accounted for nearly all of the Company's revenue. Revenue related to other revenue was not material for the three and six months ended June 30, 2023 and 2022.

The Company offers subscriptions to its platform primarily on a monthly or annual basis. The Company sells its products and services primarily through a self-service model and also directly through its sales force. The Company's subscription arrangements provide customers the right to access the Company's hosted software applications. Customers do not have the right to take possession of the Company's software during the hosting arrangement. Subscriptions are generally non-cancellable during the contractual subscription term; however, subscription contracts contain a right to a refund if requested within seven days of purchase.

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration it expects to receive in exchange for those products or services. There were no changes to the Company's revenue recognition policies since the filing of its Annual Report on Form 10-K with the SEC on March 15, 2023.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The Company primarily invoices and collects payments from customers for its services in advance on a monthly or annual basis.

Deferred revenue represents amounts billed for which revenue has not yet been recognized. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue, and the remaining portion is recorded as long-term deferred revenue. Deferred revenue increased by \$ 6,724 as of June 30, 2023 compared to December 31, 2022. During the three and six months ended June 30, 2023, \$ 27,865 and \$ 37,831 of revenue was recognized that was included in deferred revenue at the beginning of each respective period. During the three and six months ended June 30, 2022, \$ 24,295 and \$ 30,760 of revenue was recognized that was included in deferred revenue at the beginning of each respective period.

The Company has elected to exclude amounts charged to customers for sales tax from the transaction price. Accordingly, revenue is presented net of any sales tax collected from customers.

Transaction Price Allocated to Future Performance Obligations

ASC 606 requires that the Company disclose the aggregate amount of the transaction price that is allocated to performance obligations that have not yet been satisfied as of the balance sheet dates reported.

For contracts with an original expected duration greater than one year, the aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied as of June 30, 2023 was \$ 906 , of which the Company expects to recognize \$ 643 over the next 12 months.

For contracts with an original expected duration of one year or less, the Company has applied the practical expedient available under ASC 606 to not disclose the amount of transaction price allocated to unsatisfied performance obligations as of June 30, 2023. For performance obligations not satisfied as of June 30, 2023, and to which this expedient applies, the nature of the performance obligations is consistent with performance obligations satisfied as of December 31, 2022. The remaining durations are less than one year.

Costs to Obtain a Contract

The incremental direct costs of obtaining a contract, which primarily consist of sales commissions paid for new subscription contracts, are deferred and recorded as deferred contract costs in the unaudited condensed consolidated balance sheets and are amortized over a period of approximately 24 months on a systematic basis, consistent with the pattern of transfer of the goods or services to which the asset relates. The 24-month period represents the estimated benefit period of the customer relationship and has been determined by taking into consideration the type of product sold, the commitment term of the customer contract, the nature of the Company's technology development life-cycle, and an estimated customer relationship period based on historical experience and future expectations. Deferred contract costs that will be recorded as expense during the succeeding 12-month period are recorded as current deferred contract costs, and the remaining portion is recorded as deferred contract costs, net of current portion. Amortization of deferred contract costs is included in sales and marketing expense in the accompanying unaudited condensed consolidated statements of operations and comprehensive loss.

Concentrations of Credit Risk and Significant Customers

The Company has no off-balance sheet risk, such as foreign exchange contracts, option contracts, or other hedging arrangements. Credit losses historically have not been significant and the Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable.

Credit risk with respect to accounts receivable is dispersed due to the large number of customers of the Company. The Company routinely assesses the creditworthiness of its customers and generally does not require its customers to provide collateral or other security to support accounts receivable. Credit losses historically have not been significant and the Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable.

As of June 30, 2023 and December 31, 2022, no individual customer represented more than 10% of the Company's accounts receivable. During the three and six months ended June 30, 2023 and 2022, no individual customer represented more than 10% of the Company's revenue.

Restricted Cash

The following table is a reconciliation of cash, cash equivalents, and restricted cash included in the accompanying unaudited condensed consolidated balance sheets that sum to the total cash, cash equivalents, and restricted cash included in the accompanying unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2023 and 2022.

	As of	
	June 30, 2023	June 30, 2022
Cash and cash equivalents	\$ 24,072	\$ 248,917
Restricted cash included in "other assets"	—	176
Total cash, cash equivalents and restricted cash, at end of period	\$ 24,072	\$ 249,093

Disclosure of Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, investments, accounts receivable, accounts payable, and accrued expenses. The Company's investments are classified as available-for-sale and reported at fair value in accordance with the market approach utilizing quoted prices that were directly or indirectly observable. The carrying amount of the remainder of the Company's financial instruments approximated their fair values as of June 30, 2023 and December 31, 2022, due to the short-term nature of these instruments.

The Company has evaluated the estimated fair value of financial instruments using available market information. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts. See below for further discussion.

Foreign Currency Translation

The Company operates in a multi-currency environment having transactions in such currencies as the U.S. dollar, zloty, Czech koruna, euro, and others. The reporting currency of the Company is the U.S. dollar.

Beginning on January 1, 2022, as a result of changes in the economic facts and circumstances of its business environment, the Company reassessed its functional currency determinations for all foreign subsidiaries and determined that the functional currencies of the Company's foreign subsidiaries is the local currency at each of its subsidiary locations, with the exception of its former Russian subsidiaries where the U.S. dollar remained the functional currency in 2022. Accordingly, beginning January 1, 2022, assets and liabilities of the Company's foreign subsidiaries that maintain local currencies as functional currencies are translated into U.S. dollars using period-end exchange rates, and revenues and expenses are translated into U.S. dollars using average exchange rates in effect during each period. The Company includes the effects of these foreign currency translation adjustments in accumulated other comprehensive loss, a separate component of stockholders' equity.

The foreign currency exchange loss included in other income, net for the three months ended June 30, 2023 and 2022 was \$ 0 and \$(138), respectively. The foreign currency exchange loss included in other income, net for the six months ended June 30, 2023 and 2022 was \$(638) and \$(616), respectively.

Comprehensive loss

Comprehensive loss is comprised of two components: net loss and other comprehensive loss, which includes other changes in stockholders' equity that result from transactions and economic events other than those with stockholders. For the three and six months ended June 30, 2023, comprehensive loss

consists of net loss, the change in the cumulative foreign currency translation adjustment, and unrealized loss on investments. The tax effect of the cumulative foreign currency translation adjustment and unrealized loss on investments was not significant for the three and six months ended June 30, 2023 and 2022 .

Recent Accounting Pronouncements

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* . ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. Entities will be required to use an expected loss model that will result in the earlier recognition of allowances for losses for trade and other receivables, held-to-maturity debt securities, loans, and other instruments. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. The Company adopted the standard utilizing the modified retrospective approach. The adoption of the standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

3. Cash, Cash Equivalents, and Investments

The Company considers all highly liquid instruments purchased with an original maturity date of 90 days or less from the date of purchase to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks and amounts held in interest-bearing money market funds. Cash equivalents are carried at cost, which approximates their fair market value. Short-term investments consist of investments with original maturities greater than 90 days, as of the date of purchase. The Company considers its investment portfolio available-for-sale. The Company adjusts the cost of investments for amortization of premiums and accretion of discounts to maturity. The Company includes such amortization and accretion in interest income in the unaudited condensed consolidated statements of operations.

When the Company holds debt investments classified as available-for-sale pursuant to ASC 320, *Investments — Debt Securities*, it records available-for-sale securities at fair value, with unrealized gains and losses included in accumulated other comprehensive loss in stockholders' equity. The Company has classified its investments with maturities beyond one year as short term, based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. The Company includes interest and dividends on securities classified as available-for-sale in interest income in the unaudited condensed consolidated statements of operations and comprehensive loss. Realized gains and losses are recorded in the unaudited condensed consolidated statements of operations and comprehensive loss based on the specific-identification method. There was no material realized gains or losses on investments for the three and six months ended June 30, 2023 or 2022.

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815 Derivatives and Hedging and Topic 825, Financial Instruments*. Under these standards, the Company reviews available-for-sale securities for impairment whenever the fair value of the security is less than its amortized cost. If impairment exists and the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of the amortized cost basis, the Company will write down the amortized cost basis to its fair value at the reporting date, recognizing the difference as a loss within other income, net in the unaudited condensed consolidated statements of operations. If the Company does not intend to sell the security nor is it more likely than not that the Company will be required to sell the security before recovery of the amortized cost basis, the Company will determine if any portion of the unrealized loss on the security is due to credit loss. If the impairment is entirely or partially due to credit loss, the Company will measure the credit loss up to the amount of the difference between fair value and amortized cost, and recognize an allowance for credit losses along with the related charge against earnings as a loss within other income, net in the

unaudited condensed consolidated statements of operations. The remaining impairment amount due to all other factors is recognized in accumulated other comprehensive loss in the unaudited condensed consolidated balance sheets. Subsequent changes to the Company's estimate of credit losses will be recorded as adjustments to the allowance for credit losses and net loss. For the three and six months ended June 30, 2023, the Company determined that no impairments were required to be recognized in the unaudited condensed consolidated statements of operations.

The following is a summary of cash, cash equivalents and investments as of June 30, 2023 and December 31, 2022:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2023				
Cash and cash equivalents	\$ 24,072	\$ —	\$ —	\$ 24,072
Investments:				
U.S. treasury securities	201,046	1	(1,369)	199,678
Total investments	201,046	1	(1,369)	199,678
Total cash, cash equivalents and investments	\$ 225,118	\$ 1	\$ (1,369)	\$ 223,750
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2022:				
Cash and cash equivalents	\$ 79,765	\$ —	\$ —	\$ 79,765
Investments:				
U.S. treasury securities due in one year or less	153,604	5	(108)	153,501
Corporate Securities due in one year or less	4,295	—	(22)	4,273
Total investments	157,899	5	(130)	157,774
Total cash, cash equivalents and investments	\$ 237,664	\$ 5	\$ (130)	\$ 237,539

4. Leases

The components of lease expense were as follows:

	Three Months Ended		Six Months Ended June 30,
	June 30,		2023
	2023		2023
Operating lease cost	\$ 886	\$	1,669
Short-term lease cost	431		799
Variable lease cost	1,484		3,026
Total lease cost	\$ 2,801	\$	5,494

	Three Months Ended June 30,	Six Months Ended June 30,
	2023	2023
Amortization of lease assets	\$ 570	\$ 1,141
Interest on lease liabilities	23	51
Total finance lease cost	\$ 593	\$ 1,192

Weighted-average remaining lease term and discount rate were as follows:

	As of June 30,
	2023
Weighted-average remaining lease term (in years)	
Operating leases	3.5
Finance leases	1.2
Weighted-average discount rate	
Operating leases	5.1 %
Finance leases	3.9 %

Future minimum amounts payable as of June 30, 2023 were as follows:

As of June 30, 2023	Operating Leases	Finance Leases
Remainder of 2023	\$ 1,998	\$ 1,137
2024	3,637	866
2025	3,080	194
2026	2,629	—
2027	1,173	—
Thereafter	154	—
Total lease payments	12,671	2,197
Less: imputed interest	(776)	(98)
Total lease liabilities	\$ 11,895	\$ 2,099

As of June 30, 2023 the Company had no additional operating or finance leases that have not yet commenced.

Rent expense related to the Company's office facilities was \$ 1,318 and \$ 2,469 for the three and six months ended June 30, 2023, respectively. Rent expense related to the Company's office facilities was \$ 1,108 and \$ 2,443 for the three and six months ended June 30, 2022, respectively.

5. Fair Value Measurement

The following tables summarize financial assets and liabilities measured and recorded at fair value on a recurring basis in the accompanying consolidated balance sheets as of June 30, 2023 and December 31, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

June 30, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Assets:				
Money market funds	\$ 13,963	\$ —	\$ —	\$ 13,963
U.S. treasury securities	—	199,678	—	199,678
Convertible debt securities (See Note 7)	—	—	4,355	4,355
Total assets	\$ 13,963	\$ 199,678	\$ 4,355	\$ 217,996
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 195	\$ 195
Total liabilities	\$ —	\$ —	\$ 195	\$ 195

December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Assets:				
Money market funds	\$ 36,222	\$ —	\$ —	\$ 36,222
U.S. treasury securities	—	153,501	—	153,501
Corporate securities	—	4,273	—	4,273
Convertible debt securities (See Note 7)	—	—	3,652	3,652
Total assets	\$ 36,222	\$ 157,774	\$ 3,652	\$ 197,648
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 227	\$ 227
Total liabilities	\$ —	\$ —	\$ 227	\$ 227

Cash equivalents include money market funds with original maturities of 90 days or less from the date of purchase. The fair value measurement of these assets is based on quoted market prices in active markets for identical assets and, therefore, these assets are recorded at fair value on a recurring basis and classified as Level 1 in the fair value hierarchy. The Company's investments primarily consist of U.S. treasury securities and corporate securities. The fair value measurement of these assets is based on significant other observable inputs and, therefore, these assets are recorded at fair value on a recurring basis and classified as Level 2 in the fair value hierarchy.

As of June 30, 2023 and December 31, 2022, the Company measured its investments in convertible debt securities (see Note 7) and its contingent consideration associated with the acquisition of Prowly.com sp. z o.o ("Prowly") on a recurring basis using significant unobservable inputs (Level 3).

Convertible Debt Securities

The Company records its convertible note investments at fair value on the purchase date. The Company determines the fair value of these investments using the Black-Scholes Merton model. Each reporting period thereafter, these investments are revalued and increases or decreases in their fair values are recorded as adjustments to other income, net within the unaudited condensed consolidated statements of operations and comprehensive loss to reflect the gains and losses. Changes in the fair value of these investments can result from changes in the estimated enterprise value of the issuers, the likelihoods and methods of such conversions, and other market factors. Significant judgment is employed in determining the appropriateness of these assumptions as of the purchase date and for each subsequent period. Accordingly, changes in any of the assumptions described above can materially impact the amount of gain or loss the Company records in any given period.

A rollforward of the fair value measurements of the convertible notes for the six months ended June 30, 2023 and 2022, is as follows:

Balance as of December 31, 2022	\$	3,652
Additional investment in convertible notes		323
Change in fair value included in other income, net		134
Balance as of March 31, 2023		4,109
Change in fair value included in other income, net	\$	246
Balance as of June 30, 2023	\$	4,355

Balance as of December 31, 2021	\$	500
Additional investment in convertible notes		2,000
Change in fair value included in other income, net		661
Balance as of March 31, 2022		3,161
Change in fair value included in other income, net		367
Balance as of June 30, 2022	\$	3,528

Contingent consideration

The Company records contingent consideration resulting from a business combination at its fair value on the acquisition date. The Company generally determines the fair value of the contingent consideration using the Monte Carlo simulation model. Each reporting period thereafter, these obligations are revalued and increases or decreases in their fair values are recorded as an adjustment to operating expenses within the unaudited condensed consolidated statements of operations and comprehensive loss. Changes in the fair value of the contingent consideration can result from changes in assumed discount periods and rates, and from changes pertaining to the estimated or actual achievement of the defined milestones. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, future business and economic conditions, as well as changes in any of the assumptions described above, can materially impact the amount of contingent consideration expense the Company records in any given period.

The total estimated fair value of the contingent consideration payable was \$ 195 and \$ 227 as of June 30, 2023 and December 31, 2022, respectively. The following table represents the key inputs used in the fair value calculation:

	As of			
	June 30, 2023		December 31, 2022	
Risk free interest rate	5.52	%	4.72	%
Projected year of payment	2023		2023	
Revenue volatility	14.5	%	20.1	%
Discount rate	10.64	%	9.72	%

Changes in the estimated fair value of the contingent consideration payable are recognized over the three-year service period. A rollforward of the fair value measurements of the contingent consideration liability for the six months ended June 30, 2023 and 2022 is as follows:

Balance as of December 31, 2022	\$	227
Change in fair value and expense recognized for service period rendered		(36)
Balance as of March 31, 2023		191
Change in fair value and expense recognized for service period rendered		4
Balance as of June 30, 2023	\$	195

Balance as of December 31, 2021	\$	424
Change in fair value and expense recognized for service period rendered		106
Balance as of March 31, 2022		530
Change in fair value and expense recognized for service period rendered		(141)
Balance as of June 30, 2022	\$	389

6. Property and Equipment, Net

Property and equipment consists of the following:

	As of	
	June 30, 2023	December 31, 2022
Computer equipment	\$ 11,109	\$ 11,133
Furniture and office equipment	1,832	1,738
Leasehold improvements	911	786
Total property and equipment	13,852	13,657
Less: accumulated depreciation and amortization	(7,318)	(5,581)
Property and equipment, net	\$ 6,534	\$ 8,076

Depreciation and amortization expense related to property and equipment was \$ 957 and \$ 1,795 for the three and six months ended June 30, 2023, respectively. Depreciation and amortization expense

related to property and equipment was \$ 848 and \$ 1,654 for the three and six months ended June 30, 2022, respectively.

7. Other Assets

Investments in Convertible Debt

In January 2021, the Company purchased two convertible debt securities (the "January 2021 Notes") for a total aggregate investment of \$ 500 with maturity dates of January 1, 2023 and July 1, 2023, respectively. The January 2021 Notes receive interest at an annual rate of 6 %. In February 2022, the Company purchased an additional convertible debt security (the "February 2022 Note") in the amount of \$ 2,000 that will mature on February 25, 2024 and receives interest at an annual rate of 6 %. Interest accrues on each note and becomes payable upon conversion of each convertible note, or will be paid in connection with the repayment in full of the principal amount of such convertible notes.

In March 2023, the Company purchased a convertible debt security (the "March 2023 Note") for a total aggregate investment of \$ 323 . The March 2023 Note receives interest at an annual rate of 9 % and matures on March 31, 2025.

These convertible note investments are classified as available-for-sale securities. The January 2021 Notes and January 2022 Note are included in prepaid expenses and other current assets in the accompanying unaudited condensed consolidated balance sheets based on the maturity dates, and the March 2023 Note is included in other long-term assets. The Company accounts for these investments, along with the embedded derivatives associated with their conversion features, by utilizing the fair value option within ASC 825, *Financial Instruments*, and accounting for the entire hybrid instrument at fair value through other income, net. The Company recorded an increase in the fair value of the convertible notes of \$ 246 and \$ 380 for the three and six months ended June 30, 2023, respectively. The Company recorded an increase in the fair value of the convertible notes of \$ 367 and \$ 1,028 for the three and six months ended June 30, 2022, respectively.

With respect to its investments in these convertible debt securities, the Company has a variable interest in the issuers of these securities, which are variable interest entities. After evaluation of the relationship between the Company and these variable interest entities, the Company determined not to consolidate these variable interest entities' results for the three and six months ended June 30, 2023 or 2022. Significant judgments included the determination that these variable interest entities lacked sufficient equity at risk to finance activities without additional subordinated support, and that the Company was not the primary beneficiary of the variable interest entities given the Company's variable interests do not constitute a controlling financial interest.

8. Net Loss Per Share

For the three and six months ended June 30, 2023 and 2022, the net loss attributable to common stockholders is divided by the weighted-average number of shares of common stock outstanding during the period to calculate both basic and diluted earnings per share. The dilutive effect of common stock equivalents has been excluded from the calculation of diluted net loss per share as its effect would have been anti-dilutive due to the net losses incurred for the periods.

The following potentially dilutive common stock equivalents have been excluded from the calculation of diluted weighted-average shares outstanding for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Stock options outstanding	8,619,112	7,089,833	8,619,112	7,089,833
Unvested RSAs, RSUs, and PSUs	2,783,782	1,444,694	2,783,782	366,961
	11,402,894	8,534,527	11,402,894	7,456,794

For the three and six months ended June 30, 2023 1,077,726 shares of Class A common stock potentially issuable under PSU awards were excluded from the table above, respectively. For the three and six months ended June 30, 2022, 1,395,596 shares of Class A common stock potentially issuable under PSU awards were excluded from the table above, respectively. The performance-based conditions had not been met and were deemed improbable of achievement as of the reporting period end date. See Note 15 "Stock-Based Compensation" for additional information regarding the Company's PSU awards.

9. Acquisitions, Intangible Assets, and Goodwill

Acquisitions

Traffic Think Tank

On February 23, 2023, the Company completed a purchase agreement with Rank, LLC ("Traffic Think Tank"), acquiring certain intangible assets of Traffic Think Tank's assets for total cash consideration of \$ 1,800 , of which \$ 360 will be paid in 12 months (the "12-month holdback amount") and \$ 360 will be paid in 18 months (the "18-month holdback amount"). The remaining consideration was paid upon closing. The 12-month holdback amount and 18-month holdback amount are recorded in other current liabilities and other long-term liabilities, respectively, in the unaudited condensed consolidated balance sheet as of June 30, 2023. The primary purpose of the acquisition was to acquire valuable brand and content related to Traffic Think Tank's SEO community and courses.

The Company has accounted for this transaction as a business combination under the acquisition method. The Company allocated \$ 594 to the acquired intangible assets and the remaining purchase price was allocated to goodwill. The identifiable intangible assets consisted of trade names, content, and customer relationships, which the Company amortizes over the assets useful lives using a straight-line amortization method. The Company assigned useful lives to the acquired trade name, content, and customer relationships of six years , four years , and five years , respectively. Aggregate acquisition-related costs associated with this business combination were not material for the three and six months ended June 30, 2023, and were included in general and administrative expenses in the unaudited condensed consolidated statement of operations and comprehensive loss.

This business combination did not have a material impact on the Company's unaudited condensed consolidated financial statements. Therefore, actual results of operations subsequent to the acquisition date and pro forma results of operations have not been presented.

Kompyte

On March 14, 2022, the Company completed a purchase agreement with Intellikom, Inc., which does business under the name Kompyte ("Kompyte") to acquire 100 % of Kompyte's assets for cash consideration of \$ 10,000 . The purpose of the acquisition of Kompyte was to acquire Kompyte's assets, including its competitive intelligence automation platform. Aggregate acquisition-related costs associated with this business combination were not material for the three and six months ended June 30, 2022, and

were included in general and administrative expenses in the unaudited condensed consolidated statement of operations and comprehensive loss.

Upon the completion of the acquisition, Kompyte became a wholly owned subsidiary of the Company. The results of operations of Kompyte have been included in the Company's unaudited condensed consolidated financial statements from the date of acquisition.

The Company has accounted for this transaction as a business combination under the acquisition method. The total purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values. The Company recorded the excess of the purchase price over those fair values as goodwill. The following table presents the purchase price allocation recorded in the Company's unaudited condensed consolidated balance sheet as of the acquisition date, which was final as of June 30, 2022:

	Purchase Price
	Allocation
Assets acquired	
Fair value of tangible assets:	
Other assets	\$ 328
Goodwill	4,928
Identifiable intangible assets	5,500
Total assets acquired	\$ 10,756
Liabilities assumed	
Current and non-current liabilities	\$ 756
Total liabilities assumed	\$ 756
Net assets acquired	\$ 10,000

The Company allocated \$ 5,500 of the purchase price to identifiable intangible assets consisting of developed technology, trade names, and customer relationships, which it amortizes over the assets useful lives using a straight-line amortization method. The Company assigned useful lives to the acquired developed technology, trade names, and customer relationships of six years , six years , and three years , respectively.

Backlinko

On January 13, 2022, the Company completed an asset purchase agreement with Backlinko, LLC ("Backlinko"), acquiring certain of Backlinko's assets for cash consideration of \$ 4,000 . The purpose of this asset acquisition was to acquire valuable content and to access an existing revenue stream in Backlinko's SEO courses.

The Company accounted for this transaction as an asset acquisition and allocated the cost of the asset acquisition to the individual assets acquired. The Company allocated \$ 3,915 to the acquired intangible assets and the remaining cost of the acquisition was allocated to the other assets acquired, which were not material. The identifiable intangible assets consisted of trade names and intellectual property, which the Company amortizes over the assets useful lives using a straight-line amortization

method. The Company assigned useful lives to the acquired trade name and content of five years and four years , respectively.

Intangible Assets

Intangible assets consist of intangible assets resulting from the Company's acquisitions and its capitalized internal-use software development costs. Intangible assets consist of the following:

As of June 30, 2023				
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	4.4	\$ 4,071	\$ (1,128)	\$ 2,943
Trade name	4.2	4,038	(1,021)	3,017
Content	2.7	2,183	(733)	1,450
Customer relationships	2.3	744	(269)	475
Capitalized internal-use software	2.8	6,047	(1,723)	4,324
Total as of June 30, 2023		\$ 17,083	\$ (4,874)	\$ 12,209

As of December 31, 2022				
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	4.8	\$ 4,007	\$ (765)	\$ 3,242
Trade name	4.6	3,810	(656)	3,154
Content	3.1	1,958	(471)	1,487
Customer relationships	2.3	600	(159)	441
Capitalized internal-use software	2.6	3,415	(1,453)	1,962
Total as of December 31, 2022		\$ 13,790	\$ (3,504)	\$ 10,286

During the three and six months ended June 30, 2023, the Company capitalized \$ 1,574 and \$ 2,630 , respectively, of software development costs, which are classified as intangible assets on the accompanying unaudited condensed consolidated balance sheets, and recorded amortization expense associated with its capitalized software development costs of \$ 143 and \$ 270 , respectively. During the three and six months ended June 30, 2022, the Company capitalized \$ 165 and \$ 782 , respectively, of software development costs, and recorded amortization expense associated with its capitalized software development costs of \$ 203 and \$ 334 , respectively.

Amortization expense for acquired intangible assets was \$ 548 and \$ 1,070 for the three and six months ended June 30, 2023, respectively. Amortization expense for acquired intangible assets was \$ 528 and \$ 811 for the three and six months ended June 30, 2022, respectively.

As of June 30, 2023, future amortization expense is expected to be as follows:

	Amount
Remainder of 2023	\$ 1,887
2024	2,480
2025	2,220
2026	1,523
2027 and thereafter	4,099
Total	<u>\$ 12,209</u>

Goodwill

The changes in the carrying value of goodwill during the six months ended June 30, 2023 were as follows:

	Amount
Balance as of January 1, 2023	\$ 6,529
Traffic Think Tank acquisition	1,206
Foreign currency translation adjustment	118
Balance as of June 30, 2023	<u>\$ 7,853</u>

10. Exit Costs

Commencing in March 2022, the Company began to exit its operations in Russia and relocate employees. As of June 30, 2023, the Company had substantially completed its relocation efforts. All costs associated with the Company's exit activities are included in the unaudited condensed consolidated statements of operations in its income from continuing operations under the line item, *Exit Costs*.

During the three and six months ended June 30, 2023, the Company incurred exit costs of \$ 309 and \$ 1,292, respectively, related to relocation efforts. During the three and six months ended June 30, 2022, the Company incurred exit costs of \$ 3,485.

11. Accrued expenses

Accrued expenses consist of the following:

	As of	
	June 30, 2023	December 31, 2022
Employee compensation	\$ 5,090	\$ 5,083
Income taxes payable	1,717	1,090
Other taxes payable	7,750	10,101
Vacation reserves	1,705	1,372
Other	207	201
Total accrued expenses	<u>\$ 16,469</u>	<u>\$ 17,847</u>

12. Revolving Credit Facility

Senior Secured Revolving Credit Facility

On January 12, 2021, the Company executed a credit agreement with JPMorgan Chase Bank, N.A., in the form of a revolving credit facility, that consists of a \$ 45.0 million revolving credit facility and a letter of credit sub-facility with an aggregate limit equal to the lesser of \$ 5.0 million and the aggregate unused amount of the revolving commitments then in effect. The availability of the credit facility is subject to the borrowing base based on an advance rate of 400 % multiplied by annualized retention applied to monthly recurring revenue. The credit facility has a maturity of three years and will mature on January 12, 2024.

On June 30, 2023, the Company entered into an amendment to the credit agreement to transition the interest rate, effective immediately, from LIBOR to the Secure Overnight Financing Rate ("SOFR") plus a spread adjustment, to replace the LIBOR-based interest rate benchmark provisions with customary SOFR-based interest rate benchmark provisions (LIBOR or SOFR, as applicable, the "Applicable Benchmark Rate"). Borrowings under the credit facility bear interest at the Company's option at (i) the Applicable Benchmark Rate, subject to a 0.50 % floor, plus a credit spread adjustment margin, or (ii) the alternate base rate, subject to a 3.25 % floor (or 1.50 % prior to positive consolidated adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") for the twelve months most recently ended), plus a margin. For Applicable Benchmark Rate borrowings, the applicable rate margin is 2.75 % (or 3.50 % prior to positive consolidated adjusted EBITDA as of the twelve months most recently ended). For base rate borrowings, the applicable margin is 0.00 % (or 2.50 % prior to positive consolidated adjusted EBITDA as of the twelve months most recently ended). The Company is also required to pay a 0.25 % per annum fee on undrawn amounts under the Company's revolving credit facility, payable quarterly in arrears.

As of June 30, 2023, the Company had not drawn on this revolving credit facility. For the three and six months ended June 30, 2023, the Company incurred \$ 30 and \$ 69 in interest expense, respectively, relating to this credit facility. For the three and six months ended June 30, 2022, the Company incurred \$ 106 and \$ 187 in interest expense, respectively, relating to this credit facility.

13. Income Taxes

The Company is subject to income taxes in U.S. federal, state, and foreign jurisdictions. For the three and six months ended June 30, 2023, the Company recorded provisions for income taxes of \$ 869 and \$ 1,666 , respectively. For the three and six months ended June 30, 2022, the Company recorded provisions for income taxes of \$ 739 and \$ 879 , respectively. The Company's effective tax rate for the six months ended June 30, 2023 differs from the U.S. statutory rate primarily due to the impact of earnings in foreign jurisdictions and the impact of a requirement to capitalize and amortize certain research and development costs which results in a current U.S. tax provision but no deferred tax benefit as a result of the valuation allowance maintained against our net deferred tax assets. The Company's effective tax rate for the six months ended June 30, 2022 differs from the U.S. statutory rate primarily due to the jurisdictional mix of earnings and the valuation allowance maintained against its net deferred tax assets.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to be in effect for the years in which differences are expected to reverse. On a periodic basis, the Company reassesses any valuation allowances it maintains on its deferred tax assets, weighing positive and negative evidence to assess the recoverability of the deferred tax assets. The Company maintains a valuation allowance on its net deferred tax assets.

14. Stockholders' Equity

Common Stock Reserved for Future Issuance

As of June 30, 2023, the Company had reserved the following shares of common stock for future issuance:

Options outstanding	8,619,112
Options reserved for future issuance	8,014,405
Restricted stock outstanding	53,331
Restricted stock units and performance stock units outstanding	3,808,177
Total authorized shares of common stock reserved for future issuance	20,495,025

15. Stock-Based Compensation

In 2019, the Board adopted the Semrush Holdings, Inc. 2019 Stock Option and Grant Plan (the "2019 Plan"), which provides for the grant of qualified incentive stock options and nonqualified stock options or other awards, including restricted stock unit awards, to the Company's employees, officers, directors, advisors, and outside consultants for the purchase of up to 8,682,600 shares of the Company's common stock. In July 2020, the 2019 Plan was amended to provide for the grant of qualified incentive stock options and nonqualified stock options or other awards to the Company's employees, officers, directors, advisors, and outside consultants for the purchase of up to 10,163,772 shares of the Company's common stock. Stock options generally vest over a 4-year period and expire 10 years from the date of grant. Certain options provide for accelerated vesting if there is a change in control (as defined in the 2019 Plan).

The Semrush Holdings, Inc. 2021 Stock Option and Incentive Plan was adopted by the Board on March 3, 2021 and approved by stockholders on March 15, 2021 and became effective immediately prior to the effectiveness of the Company's registration statement in connection with its IPO. The 2021 Plan replaced the 2019 Plan as the Board determined not to make additional awards under the 2019 Plan following the pricing of the Company's IPO. The 2021 Plan allows the compensation committee of the Board to make equity-based and cash-based incentive awards to the Company's officers, employees, directors and other key persons (including consultants).

The Company initially reserved 13,503,001 shares of Class A common stock for the issuance of awards under the 2021 Plan. The 2021 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2022, by the lesser of 5 % of the outstanding number of shares of Class A and Class B common stock on the immediately preceding December 31, or such lesser number of shares as determined by the compensation committee. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. Effective January 1, 2023, the number of shares of Class A common stock reserved for the issuance of awards under the 2021 Plan was increased by 3,500,000 shares to 17,003,001 shares in accordance with the provisions of the 2021 Plan.

The Company has recorded stock-based compensation expense of \$ 3,765 and \$ 6,561 during the three and six months ended June 30, 2023, respectively, and recorded \$ 2,204 and \$ 3,136 during the three and six months ended June 30, 2022, respectively. The following table shows stock-based compensation expense by where the stock-based compensation expense is recorded in the Company's unaudited condensed consolidated statement of operations:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 32	\$ 21	\$ 49	\$ 32
Sales and marketing	840	277	1,368	410
Research and development	542	358	885	507
General and administrative	2,351	1,548	4,259	2,187
Total stock-based compensation	\$ 3,765	\$ 2,204	\$ 6,561	\$ 3,136

As of June 30, 2023, there was \$ 21,130 and \$ 852 of unrecognized compensation cost related to unvested common stock option arrangements granted under the 2021 Plan and 2019 Plan, respectively, which is expected to be recognized over a weighted-average period of 3.36 and 1.40 years, respectively. As of June 30, 2023, there was \$ 24,396 of unrecognized compensation cost related to unvested restricted stock unit awards granted under the 2021 Plan, which is expected to be recognized over a weighted-average period of 3.08 years. For unvested performance stock units, these awards were granted with four-year vesting terms for which the probability of vesting achievement is assessed at each reporting period.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option-pricing model. As there was no public market for its common stock prior to March 25, 2021, which was the first day of trading, and as the trading history of the Company's common stock is limited, the Company determined the expected volatility for options granted based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The expected volatility of options granted has been determined using an average of the historical volatility measures of this peer group of companies. The expected life of options granted to employees was calculated using the simplified method, which represents the average of the contractual term of the option and the weighted-average vesting period of the option. The Company uses the simplified method because it does not have sufficient historical option exercise data to provide a reasonable basis upon which to estimate expected term. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the share option. The Company has not paid, nor anticipates paying, cash dividends on its ordinary shares; therefore, the expected dividend yield is assumed to be zero .

The weighted-average assumptions utilized to determine the fair value of options granted to employees are presented in the following table:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
Expected volatility	63.0	%	52.9	%	63.2	%	52.9	
Weighted-average risk-free interest rate	3.48	%	2.57	%	3.70	%	2.52	
Expected dividend yield	—		—		—		—	
Expected life – in years		6		6		6		

A summary of the Company's option activity as of June 30, 2023, which all occurred under the 2019 Plan and the 2021 Plan, and changes during the six months then ended are as follows:

	Number of Options	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term (years)
Outstanding at December 31, 2022	6,865,265	\$ 4.82	7.
Granted	2,503,932	9.14	
Exercised	(672,094)	0.48	
Forfeited	(77,991)	5.87	
Outstanding at June 30, 2023	8,619,112	6.38	8.
Options exercisable at June 30, 2023	4,412,281	2.97	6.

The weighted-average grant-date fair value of options granted during the three and six months ended June 30, 2023 was \$ 5.84 and \$ 5.56 per share, respectively. The weighted-average grant-date fair value of options granted during the three and six months ended June 30, 2022 was \$ 6.22 and \$ 6.31 per share, respectively. Tax benefits of \$(10) and \$ 43 were realized from options during the three and six months ended June 30, 2023, respectively. No tax benefits were realized from options during the three and six months ended June 30, 2022.

The aggregate intrinsic value of options outstanding as of June 30, 2023 and December 31, 2022 was \$ 34,440 and \$ 32,721 , respectively.

The aggregate intrinsic value for options exercised during the three and six months ended June 30, 2023 was \$ 4,694 and \$ 5,402 , respectively. The aggregate intrinsic value for options exercised during the three and six months ended June 30, 2022 was \$ 1,231 and \$ 3,386 , respectively.

The aggregate intrinsic value for options exercisable as of June 30, 2023 and December 31, 2022 was \$ 31,352 and \$ 27,919 , respectively.

The aggregate intrinsic value was calculated based on the positive difference, if any, between the estimated fair value of the Company's common stock on June 30, 2023 and December 31, 2022, respectively, or the date of exercise, as appropriate, and the exercise price of the underlying options.

On July 28, 2020, the Company issued 156,852 shares of its restricted common stock ("Restricted Stock Issuance") to the founders of Prowly for a total fair value of \$ 291 under the 2019 Plan. This Restricted Stock Issuance vests over a three-year service period, applicable to both founders. As of June 30, 2023, 103,521 shares have vested in connection with this Restricted Stock Issuance.

During the three and six months ended June 30, 2023, the Company granted to employees RSUs for 1,317,123 and 1,840,417 shares of Class A common stock under the 2021 Plan, respectively. During the three and six months ended June 30, 2022, the Company granted to employees RSUs for 799,487 and 989,929 shares of Class A common stock under the 2021 Plan, respectively. During the three and six months ended June 30, 2023, the Company recorded stock-based compensation expense related to the RSUs of \$ 2,050 and \$ 3,241 , respectively. During the three and six months ended June 30, 2022, the Company recorded stock-based compensation expense related to the RSUs of \$ 913 and \$ 1,191 , respectively.

A summary of RSU activity under the Company's 2021 Plan for the six months ended June 30, 2023 is as follows:

	Number of Shares	Weighted-Average Grant Date	
		Fair Value	Aggregate Fair Value
Unvested balance at January 1, 2023	1,269,743	\$ 11.97	\$ 15,194
Granted	1,840,417	9.05	16,656
Vested	(331,251)	11.96	3,962
Forfeited	(48,458)	13.76	667
Unvested balance as of June 30, 2023	2,730,451	\$ 10.00	\$ 27,305

During the three and six months ended June 30, 2023, the Company did not grant employees PSUs. During the three and six months ended June 30, 2022, the Company granted to employees PSUs for 894,709 and 1,395,596 shares of Class A common stock under the 2021 Plan, respectively.

The Company records stock-based compensation expense related to the PSUs when it is probable that the underlying performance conditions will be recognized. During the year ended December 31, 2022, the Company granted two sets of PSU grants; executives and acquisition-related. The acquisition-related PSUs contained a market component. These awards were deemed probable of partial achievement by the Company as of June 30, 2023. The executive grants were not probable of achievement as of June 30, 2023.

During the three and six months ended June 30, 2023, \$ 26 and \$ 50 of expense was recognized in connection with a portion of the acquisition-related PSU awards, respectively. However, the remaining acquisition-related PSU awards were not probable of achievement as of June 30, 2023. During the three and six months ended June 30, 2022, \$ 134 and \$ 140 of expense was recognized in connection with a portion of the acquisition-related PSU awards, respectively. For PSU grants that have only service and performance conditions, the Company measures these awards at the fair value of its Class A common stock on the grant dates. For PSU grants that incorporate a market condition, only the market condition is reflected in the estimated fair value on the grant dates. The Company determined the fair value of the acquisition-related PSU awards using a binomial valuation method.

A summary of PSU activity under the Company's 2021 Plan for the six months ended June 30, 2023 is as follows:

	Number of Shares	Weighted-Average Grant Date	
		Fair Value	Aggregate Fair Value
Unvested balance at January 1, 2023	1,283,620	\$ 11.22	\$ 14,402
Granted	—	—	—
Vested	(5,226)	10.05	53
Forfeited	(200,668)	11.96	2,400
Unvested balance at June 30, 2023	1,077,726	\$ 11.61	\$ 12,512

Compensation expense is based on the estimated value of the awards on the grant date, and is recognized over the period from the grant date through the expected vest dates of each vesting condition. The compensation expense attributable to the acquisition-based PSU awards was estimated based on a Monte Carlo simulation model, which applied the following key assumptions:

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Risk-free interest rate	2.07 %	2.07 %
Volatility	70.00 %	70.00 %
Dividend Yield	— %	— %
Term (years)	4.13	4.13

2021 Employee Stock Purchase Plan

The Semrush Holdings, Inc. 2021 Employee Stock Purchase Plan (the "ESPP") was adopted by the Board on March 3, 2021 and approved by stockholders on March 15, 2021 and became effective immediately prior to the effectiveness of the Company's registration statement in connection with its IPO. The ESPP initially reserves and authorizes the issuance of up to a total of 3,000,667 shares of Class A common stock to participating employees. The ESPP provides that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2022 and each January 1 thereafter through January 1, 2031, by the least of (i) 1 % of the outstanding number of shares of Class A and Class B common stock on the immediately preceding December 31; (ii) 3,000,667 shares or (iii) such lesser number of shares of Class A common stock as determined by the ESPP administrator. The number of shares reserved under the ESPP is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization.

The first service period of the ESPP began on September 1, 2021, the second service period of the ESPP began on March 1, 2022, and the third service period of the ESPP began on September 1, 2022. The Company recognized \$ 33 in stock-based compensation expense related to these service periods for the six months ended June 30, 2023. The Company recognized \$ 41 and \$ 122 in stock-based compensation expense related to these service periods for the three and six months ended June 30, 2022, respectively. On February 28, 2023, the Company issued 38,879 shares of its Class A common stock to its employees under its ESPP for the service period then ended. The ESPP program was discontinued after the last purchase on February 28, 2023. The Company did not recognize any stock-based compensation expense related to these service periods for the three months ended June 30, 2023.

16. Commitments and Contingencies

Data Providers

The Company has multi-year commitments with certain data providers through March 31, 2026. As of June 30, 2023, future commitments for data services are as follows:

As of June 30, 2023

Remainder of 2023	4,468
2024	10,473
2025	11,288
2026	3,008
Total	<u>\$ 29,237</u>

Litigation

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

Indemnification

The Company typically enters into indemnification agreements with customers in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses suffered or incurred as a result of claims of intellectual property infringement. These indemnification agreements are provisions of the applicable customer agreement. Based on when clients first sign an agreement for the Company's service, the maximum potential amount of future payments the Company could be required to make under certain of these indemnification agreements is unlimited. Based on historical experience and information known as of June 30, 2023, the Company has not incurred any costs for the above guarantees and indemnities.

17. Components of Other Income, Net

The components of other income, net, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Foreign currency exchange loss	\$ —	\$ (138)	(638)	(616)
Other income, net	2,919	849	5,262	1,486
Total other income, net	<u>\$ 2,919</u>	<u>\$ 711</u>	<u>\$ 4,624</u>	<u>\$ 870</u>

18. Employee Benefit Plan

The Company maintains a defined contribution savings plan under Section 401(k) of the Internal Revenue Code (the "401(k) Plan") covering all U.S. employees who satisfy certain eligibility requirements. The 401(k) Plan allows each participant to defer a percentage of their eligible compensation subject to applicable annual limits pursuant to the limits established by the Internal Revenue Service. The Company

may, at the discretion of the Board, make contributions in the form of matching contributions or profit-sharing contributions. For the three and six months ended June 30, 2023, the Company made matching contributions of \$ 339 and \$ 647 , respectively, to the 401(k) Plan. For the three and six months ended June 30, 2022, the Company made matching contributions of \$(72) and \$ 438 , respectively, to the 401(k) Plan.

19. Segment and Geographic Information

Disclosure requirements about segments of an enterprise and related information establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in interim financial reports issued to shareholders. Operating segments are defined as components of an enterprise about which separate discrete financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the chief executive officer. The Company and the chief executive officer view the Company's operations and manage its business as one operating segment.

Geographic Data

The Company allocates, for the purpose of geographic data reporting, its revenue based upon the location of the customer. Total revenue by geographic area was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
United States	\$ 34,797	\$ 28,830	\$ 69,544	\$ 54,652
United Kingdom	7,278	6,356	14,285	12,233
Other	32,618	27,424	61,734	52,853
Total revenue	<u>\$ 74,693</u>	<u>\$ 62,610</u>	<u>\$ 145,563</u>	<u>\$ 119,738</u>

Property and equipment, net by geographic location consists of the following:

	As of	
	June 30, 2023	December 31, 2022
Property and equipment, net:		
United States	\$ 4,459	\$ 6,025
Spain	850	832
Czech Republic	389	442
Other	836	777
Total assets	<u>\$ 6,534</u>	<u>\$ 8,076</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the unaudited condensed consolidated financial statements, and related notes that are included elsewhere in this Quarterly Report on Form 10-Q, along with the financial information included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission (the "SEC") on March 15, 2023. Some of the information contained in this discussion and analysis, including information with respect to our planned investments in our research and development, sales and marketing, and general and administrative functions, contains forward-looking statements based upon current plans, beliefs, and expectations that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Special Note Regarding Forward-Looking Statements" and Item 1A. Risk Factors included elsewhere in this Quarterly Report on Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Company Overview

We are a leading online visibility management SaaS platform, enabling companies globally to identify and reach the right audience in the right context and through the right channels. Online visibility represents how effectively companies connect with consumers across a variety of digital channels, including search, social and digital media, digital public relations, and review websites. Our proprietary SaaS platform enables us to aggregate and enrich trillions of data points collected from hundreds of millions of unique domains, social media platforms, online ads, and web traffic. This allows our customers to understand trends, derive unique and actionable insights to improve their websites and social media pages, and distribute highly relevant content to their targeted customers across channels to drive high quality traffic.

We generate substantially all of our revenue from monthly and annual subscriptions to our online visibility management platform under a SaaS model. Subscription revenue is recognized ratably over the contract term beginning on the date the product is made available to customers.

We currently operate subsidiaries in Canada, Cyprus, the Czech Republic, Germany, the Netherlands, Poland, Spain, Serbia, and Armenia, with employees based in each location.

Our revenue is primarily generated through sales of our products around the globe. The largest portion of our revenue continues to be driven by customers based in the U.S. and UK, generating combined revenues of \$42.1 million and \$83.8 million for the three and six months ended June 30, 2023, respectively, and \$35.2 million and \$66.9 million for the three and six months ended June 30, 2022, respectively.

We have one reportable segment. See Note 19 "Segment and Geographic Information" to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

Key Factors Affecting Our Performance

We regularly review a number of factors that have impacted, and we believe will continue to impact, our results of operations and growth. These factors include:

Acquiring New Paying Customers

We expect increasing demand for third-party online visibility software to accelerate adoption of our platform. Our recurring subscription model provides significant visibility into our future results and we believe ARR is the best indicator of the scale of our platform, while mitigating fluctuations due to seasonality and contract term. We define ARR as of a given date as the monthly recurring revenue that we expect to contractually receive from all paid subscription agreements that are actively generating revenue as of that date multiplied by 12. We include both monthly recurring paid subscriptions, which renew automatically unless canceled, as well as annual recurring paid subscriptions so long as we do not have any indication that a customer has canceled or intends to cancel its subscription and we continue to generate revenue from them. As of June 30, 2023, we had more than 104,000 paying customers, accounting for \$302.4 million in ARR, an increase from 91,000 paying customers accounting for \$252.5 million in ARR as of June 30, 2022 (calculated using the current definition of ARR as described in this paragraph).

We updated our definition of ARR as of September 30, 2022. Prior to September 30, 2022, we defined ARR as the daily revenue of all paid subscription agreements that were actively generating revenue as of the last day of the reporting period multiplied by 365, except that we calculated the ARR from Prowly's customers as the monthly recurring revenue as of the last month of the reporting period multiplied by 12. We made this change because it simplifies the calculation and internal reporting of ARR, eliminates the impact of the number of days in a given month on ARR, and we believe the updated definition is a more widely used methodology in our industry.

Retaining and Expanding Sales to Our Existing Customers

We serve a diverse customer base across a variety of sizes and industries that is focused on maximizing their online visibility. We believe there is significant opportunity to expand within our existing customer base as customers often initially purchase our entry-level subscription, which offers lower usage limits and limited user licenses, as well as fewer features. We have demonstrated the ability to expand contract values with our existing customers as they use our products and recognize the critical nature of our platform and often seek premium offerings through incremental usage, features, add-ons, and additional user licenses.

Our dollar-based net revenue retention rate enables us to evaluate our ability to retain and expand subscription revenue generated from our existing customers. Our dollar-based net revenue retention rate as of June 30, 2023 and December 31, 2022 was approximately 112% and 118%, respectively.

We calculate our dollar-based net revenue retention rate as of the end of a period by using (a) the revenue from our customers during the twelve month period ending one year prior to such period as the denominator and (b) the revenue from those same customers during the twelve months ending as of the end of such period as the numerator. This calculation excludes revenue from new customers and any non-recurring revenue.

We have successfully increased ARR per paying customer over time and believe this metric is an indicator of our ability to grow the long-term value of our platform. We expect ARR per paying customer to continue to increase as customers adopt our premium offerings and we continue to introduce new products and functionality. Our ARR per paying customer as of June 30, 2023 and June 30, 2022 was \$2,904 and \$2,767, respectively, in absolute unrounded amounts. We define ARR per paying customer as of a given date as ARR from our paying customers as of that date divided by the number of paying

customers as of that date. We define the number of paying customers as the number of unique business and individual customers as of a given date. We define a business customer as all accounts that contain a common non-individual business email domain (e.g., all subscriptions with an email domain of @XYZ.com will be considered to be one customer), and an individual customer as an account that uses an individual non-business email domain.

Sustaining Product and Technology Innovation

We have a strong track record of developing new products that have high adoption rates among our paying customers. Our product development organization plays a critical role in continuing to enhance the effectiveness and differentiation of our technology in an evolving landscape and maximizing retention of our existing customers. We intend to continue investing in product development to improve our data assets, expand our products and enhance our technological capabilities.

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we believe that free cash flow and free cash flow margin, each a non-GAAP financial measure, are useful in evaluating the performance of our business.

Free cash flow and free cash flow margin

We define free cash flow, a non-GAAP financial measure, as net cash (used in) provided by operating activities less purchases of property and equipment and capitalized software development costs. We define free cash flow margin as free cash flow divided by total revenue. We monitor free cash flow and free cash flow margin as two measures of our overall business performance, which enables us to analyze our future performance without the effects of non-cash items and allow us to better understand the cash needs of our business. While we believe that free cash flow and free cash flow margin are useful in evaluating our business, free cash flow and free cash flow margin are each a non-GAAP financial measure that have limitations as an analytical tool, and free cash flow and free cash flow margin should not be considered as an alternative to, or substitute for, net cash (used in) provided by operating activities in accordance with GAAP. The utility of each of free cash flow and free cash flow margin as a measure of our liquidity is further limited as each measure does not represent the total increase or decrease in our cash balance for any given period. In addition, other companies, including companies in our industry, may calculate free cash flow and free cash flow margin differently or not at all, which reduces the usefulness of free cash flow and free cash flow margin as tool for comparison. A summary of our cash flows from operating, investing, and financing activities is provided below. We recommend that you review the reconciliation of free cash flow to net cash (used in) provided by operating activities, the most directly comparable GAAP financial measure, and the reconciliation of free cash flow margin to net cash (used in) provided by operating activities (as a percentage of revenue), the most directly comparable GAAP financial measure, provided below, and that you not rely on free cash flow, free cash flow margin or any single financial measure to evaluate our business.

	Six Months Ended June 30, (in thousands)	
	2023	2022
Net cash (used in) provided by operating activities	\$ (9,923)	\$ 589
Net cash used in investing activities	(45,088)	(19,573)
Net cash used in financing activities	(643)	(251)
Effect of exchange rate changes on cash and cash equivalents	(39)	(1,513)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (55,693)</u>	<u>\$ (20,748)</u>

Six Months Ended June 30, (in thousands)			
	2023	2022	
Net cash (used in) provided by operating activities	\$ (9,923)	\$ 589	
Purchases of property and equipment	(957)	(2,798)	
Capitalization of internal-use software costs	(323)	(2,000)	
Free cash flow	\$ (11,203)	\$ (4,209)	

Six Months Ended June 30,			
	2023	2022	
Net cash (used in) provided by operating activities (as a percentage of revenue)	(13.3)%	0.9 %	
Purchases of property and equipment (as a percentage of revenue)	(1.3)%	(4.5)%	
Capitalization of internal-use software costs (as a percentage of revenue)	(0.4)%	(3.2)%	
Free cash flow margin	(15.0)%	(6.7)%	

Components of our Results of Operations

Revenue

We generate nearly all of our revenue from subscriptions to our online visibility management platform under a SaaS model. Subscription revenue is recognized ratably over the contract term beginning on the date on which we provide the customer access to our platform. Our customers do not have the right to take possession of our software. Our subscriptions are generally non-cancellable during the contractual subscription term, however our subscription contracts contain a right to a refund if requested within seven days of purchase.

We offer our paid products to customers via monthly or annual subscription plans, as well as one-time and ongoing add-ons. Our subscription-based model enables customers to select a plan based on their needs and license our platform on a per user per month basis.

As of June 30, 2023, we served over 104,000 paying customers in various industries, and our revenue is not concentrated with any single customer or industry. For the three and six months ended June 30, 2023, no single customer accounted for more than 10% of our revenue.

Cost of Revenue

Cost of revenue primarily consists of expenses related to hosting our platform, acquiring data, merchant account fees, and providing support to our customers. These expenses are comprised of personnel and related costs, including salaries, benefits, incentive compensation, and stock-based compensation expense related to the management of our data centers, our customer support team, and our customer success team. In addition to these expenses, we incur third-party service provider costs, such as data center and networking expenses, data acquisition costs, allocated overhead costs, depreciation and amortization expense associated with our property and equipment, and amortization of capitalized software development costs and intangible assets acquired through business combinations and asset acquisitions. We allocate overhead costs, such as rent and facility costs, certain information technology costs, and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

We expect our cost of revenue to increase in absolute dollars due to expenditures related to the purchase of hardware, data, expansion, and support of our data center operations and customer support/success teams. We have seen improvement in our cost of revenue as a percentage of revenue, and expect it to remain near current levels. It may fluctuate from period to period depending on the timing of significant expenditures. To the extent that our customer base grows, we intend to continue to invest additional resources in expanding the delivery capability of our products and other services. The timing of these additional expenses could affect our cost of revenue, both in terms of absolute dollars and as a percentage of revenue in any particular quarterly or annual period.

Operating Expenses

Research and Development

Research and development expenses primarily consist of personnel and related costs, including salaries, benefits, incentive compensation, stock-based compensation, and allocated overhead costs. Research and development expenses also include depreciation expense and other expenses associated with product development. Other than internal-use software costs that qualify for capitalization, research and development costs are expensed as incurred. We plan to increase the dollar amount of our investment in research and development for the foreseeable future as we focus on developing new products, features, and enhancements to our platform. We believe that investing in the development of new products, features, and enhancements improves customer experience, makes our platform more attractive to new paying customers, and provides us with opportunities to expand sales to existing paying customers and convert free customers to paying customers.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel and related costs directly associated with our sales and marketing department, including salaries, benefits, incentive compensation, and stock-based compensation, online advertising expenses, and marketing and promotional expenses, as well as allocated overhead costs. We expense all costs as they are incurred, excluding sales commissions identified as incremental costs to obtain a contract, which are capitalized and amortized on a straight-line basis over the average period of benefit, which we estimate to be two years. We expect that our sales and marketing expenses will decline as a percentage of revenue for the year ending December 31, 2023. New sales personnel require training and may take several months or more to achieve productivity; as such, the costs we incur in connection with the hiring of new sales personnel in a given period are not typically offset by increased revenue in that period and may not result in new revenue if these sales personnel fail to become productive. However, we expect our sales and marketing expenses to decrease as a percentage of revenue.

General and Administrative

General and administrative expenses primarily consist of personnel and related expenses, including salaries, benefits, incentive compensation, and stock-based compensation, associated with our finance, legal, human resources, IT, and other administrative employees. Our general and administrative expenses also include professional fees for external legal, accounting, and other consulting services, insurance, depreciation and amortization expense, as well as allocated overhead. We expect to increase the size of our general and administrative functions to support the growth of our business. We expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with rules and regulations applicable to companies listed on a U.S. securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, increases in insurance premiums, investor relations and professional services. We expect our general and administrative expenses to increase in absolute dollars for the remainder of the fiscal year ending December 31, 2023. However, we expect our general and administrative expenses to decrease as a percentage of revenue over time.

Exit Costs

All costs associated with our relocation efforts are included in the unaudited condensed consolidated statement of operations in our income from continuing operations under the line item, *Exit Costs*. Exit costs in connection with our relocation efforts include employee severance and fringe benefit costs and other associated relocation costs. We do not expect the remaining exit costs associated with our relocation efforts to be material in future periods.

Other Income, Net

Included in other income, net are foreign currency transaction gains and losses. In accordance with ASC 830, *Foreign Currency Matters*, we redetermined our functional currencies of our international locations as of January 1, 2022, when it was determined the local currencies for these regions were most appropriate, with the exception of Russia where the U.S. dollar was the functional currency in 2022. For the three and six months ended June 30, 2023, the functional currencies of our international locations were the local currencies for these regions. Any differences resulting from the re-measurement of assets and liabilities denominated in a currency other than the functional currency are recorded within other income, net. We expect our foreign currency exchange gains and losses to continue to fluctuate in the future as foreign currency exchange rates change.

Other income, net also includes amounts for interest income and expense, other miscellaneous income and expense, and gains and losses unrelated to our core operations. We have elected the fair value option in respect to the accounting for our convertible note investments, allowing for increases and decreases in the fair value of such investments to be recorded to other income, net for each reporting period. Interest expense is related to our outstanding revolving credit facility, as well as interest associated with outstanding finance leases.

Income Tax Provision

We operate in several tax jurisdictions and are subject to taxes in each country or jurisdiction in which we conduct business. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. To date, we have incurred cumulative net losses and maintain a full valuation allowance on our net deferred tax assets. Our tax expense for the three and six months ended June 30, 2023 primarily relates to the tax provision recorded on the earnings of our profitable foreign subsidiaries and the requirement to capitalize and amortize certain research and development costs which results in a current U.S. tax provision but no deferred tax benefit as a result of the valuation allowance maintained against our net deferred tax assets. Our tax expense for the three and six months ended June 30, 2022 primarily relates to income earned in certain foreign jurisdictions.

Results of Operations

The following tables set forth information comparing our results of operations in dollars and as a percentage of total revenue for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	(in thousands)		(in thousands)	
	2023	2022	2023	2022
Revenue	\$ 74,693	\$ 62,610	\$ 145,563	\$ 119,738
Cost of revenue (1)	12,972	12,598	25,611	24,185
Gross profit	61,721	50,012	119,952	95,553
Operating expenses				
Sales and marketing (1)	30,237	30,894	65,733	56,724
Research and development (1)	14,116	9,671	27,996	17,809
General and administrative (1)	19,388	14,218	38,028	28,381
Exit costs	309	3,485	1,292	3,485
Total operating expenses	64,050	58,268	133,049	106,399
Loss from operations	(2,329)	(8,256)	(13,097)	(10,846)
Other income, net	2,919	711	4,624	870
Income (loss) before income taxes	590	(7,545)	(8,473)	(9,976)
Provision for income taxes	869	739	1,666	879
Net loss	\$ (279)	\$ (8,284)	\$ (10,139)	\$ (10,855)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Cost of revenue	\$ 32	\$ 21	\$ 49	\$ 32
Sales and marketing	840	277	1,368	410
Research and development	542	358	885	507
General and administrative	2,351	1,548	4,259	2,187
Total stock-based compensation	\$ 3,765	\$ 2,204	\$ 6,561	\$ 3,136

The following table sets forth our unaudited condensed consolidated statements of operations data expressed as a percentage of revenue for the periods indicated (amounts may not sum due to rounding):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
(as a percentage of total revenue)				
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	17 %	20 %	18 %	20 %
Gross profit	83 %	80 %	82 %	80 %
Operating expenses				
Sales and marketing	40 %	49 %	45 %	47 %
Research and development	19 %	15 %	19 %	15 %
General and administrative	26 %	23 %	26 %	24 %
Exit costs	— %	6 %	1 %	3 %
Total operating expenses	85 %	93 %	91 %	89 %
Loss from operations	(3)%	(13)%	(9)%	(9)%
Other income, net	4 %	1 %	3 %	1 %
Income (loss) before income taxes	1 %	(12)%	(6)%	(8)%
Provision for income taxes	1 %	1 %	1 %	1 %
Net loss	— %	(13)%	(7)%	(9)%

Comparison of the Three and Six Months Ended June 30, 2023 and 2022

Revenue

Our revenue during the three and six months ended June 30, 2023 and 2022 was as follows:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
(dollars in thousands)					(dollars in thousands)			
Revenue	\$ 74,693	\$ 62,610	\$ 12,083	19 %	\$ 145,563	\$ 119,738	\$ 25,825	22 %

Revenue increased in all regions. The majority of this increase was driven by an increase in the number of paying customers from 91,000 as of June 30, 2022 to over 104,000 as of June 30, 2023. The increases in revenue for the three and six months ended June 30, 2023 were also driven by growth in user licenses per customer, add-ons, and attach rates. We define attach rates as the ratio of the number of paying customers who purchase specific add-ons to the number of total paying customers.

Revenue based upon the locations of our paying customers during the three and six months ended June 30, 2023 and 2022 was as follows:

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2023		2022		2023		2022	
	(in thousands)				(in thousands)			
Revenue:								
United States	\$	34,797	\$	28,830	\$	69,544	\$	54,652
United Kingdom		7,278		6,356		14,285		12,233
Other		32,618		27,424		61,734		52,853
Total revenue	\$	74,693	\$	62,610	\$	145,563	\$	119,738

Cost of Revenue, Gross Profit and Gross Margin

	Three Months Ended				Six Months Ended									
	June 30,		Change		June 30,		Change							
	2023	2022	Amount	%	2023	2022	Amount	%						
	(dollars in thousands)				(dollars in thousands)									
Revenue	\$	74,693	\$	62,610	\$	12,083	19 %	\$	145,563	\$	119,738	\$	25,825	22 %
Cost of revenue	\$	12,972	\$	12,598	\$	374	3 %	\$	25,611	\$	24,185	\$	1,426	6 %
Gross profit	\$	61,721	\$	50,012	\$	11,709	23 %	\$	119,952	\$	95,553	\$	24,399	26 %
Gross margin		83 %		80 %					82 %		80 %			

For the three months ended June 30, 2023, cost of revenue increased by \$0.4 million compared to the corresponding period of the prior year. This increase is primarily driven by a \$0.7 million increase in integration and data costs incurred related to new products and customer growth. This increase was partially offset by a \$0.2 million decrease in hosting fees as a result of the relocation of data centers during the prior year.

For the six months ended June 30, 2023, cost of revenue increased by \$1.4 million compared to the corresponding period of the prior year. This increase is primarily due to a \$1.4 million increase to integration and data costs related to new products and customer growth.

Operating Expenses

Sales and Marketing

	Three Months Ended				Six Months Ended											
	June 30,		Change		June 30,		Change									
	2023	2022	Amount	%	2023	2022	Amount	%								
	(dollars in thousands)				(dollars in thousands)											
Sales and marketing	\$	30,237	\$	30,894	\$	(657)	(2)%	\$	65,733	\$	56,724	\$	9,009	16	%	
Percentage of total revenue		40	%	49	%					45	%	47	%			

The change in sales and marketing expense for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 was primarily due to the following:

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
	Change			
	(in thousands)			
Personnel costs	\$	6,039	\$	11,591
Marketing and advertising expense	\$	(5,328)	\$	(2,348)
Other	\$	(1,368)	\$	(234)
Sales and marketing	\$	(657)	\$	9,009

For the three months ended June 30, 2023, sales and marketing expense decreased by \$0.7 million compared to the corresponding period of the prior year. This decrease was primarily driven by a \$5.3 million decrease in marketing and advertising expense. It was also driven by a \$1.4 million decrease to other sales and marketing costs. These decreases were partially offset by a \$6.0 million increase in personnel costs, which includes a \$0.6 million increase in stock-based compensation, due to a 27% increase in headcount as we continue to expand our sales and marketing teams to grow our customer base. Personnel costs include the amortization of capitalized commission costs, which increased in the three months ended June 30, 2023, compared to the corresponding period of the prior year.

For the six months ended June 30, 2023, sales and marketing expense increased by \$9.0 million compared to the corresponding period of the prior year. This increase was partially driven by an increase in personnel costs, which includes a \$1.0 million increase in stock-based compensation, due to a 33% increase in headcount as we continue to expand our sales and marketing teams to grow our customer base. Personnel costs include the amortization of capitalized commission costs, which increased in the six months ended June 30, 2023, compared to the corresponding period of the prior year. This increase was partially offset by a decrease to marketing and advertising expense.

Research and Development

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
	(dollars in thousands)				(dollars in thousands)			
Research and development	\$ 14,116	\$ 9,671	\$ 4,445	46 %	\$ 27,996	\$ 17,809	\$ 10,187	57 %
Percentage of total revenue	19 %	15 %			19 %	15 %		

For the three months ended June 30, 2023, research and development costs increased by \$4.4 million compared to the corresponding period of the prior year, primarily as a result of a 16% increase in headcount compared to the corresponding period of the prior year, and increased compensation costs associated with the relocation of many research and development employees to higher cost countries.

For the six months ended June 30, 2023, research and development costs increased by \$10.2 million compared to the corresponding period of the prior year, primarily as a result of a 21% increase in

headcount compared to the corresponding period of the prior year, and increased compensation costs associated with the relocation of many research and development employees to higher cost countries.

General and Administrative

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
	(dollars in thousands)				(dollars in thousands)			
General and administrative	\$ 19,388	\$ 14,218	\$ 5,170	36 %	\$ 38,028	\$ 28,381	\$ 9,647	34 %
Percentage of total revenue	26 %	23 %			26 %	24 %		

The increase in general and administrative expense for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 was primarily due to the following:

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
	Change		Change	
	(in thousands)		(in thousands)	
Personnel costs	\$ 5,069	\$ 7,826		
Professional services	(196)	\$ 1,475		
Other	297	\$ 346		
General and administrative	\$ 5,170	\$ 9,647		

For the three months ended June 30, 2023, general and administrative expense increased by \$5.2 million compared to the corresponding period of the prior year. This increase was primarily driven by a \$5.1 million increase in personnel costs, which includes a \$0.8 million increase in stock-based compensation, relating to a 10% increase in headcount as we continue to expand our accounting and reporting, legal and compliance, security, IT and internal support teams. It was also driven by increased compensation costs associated with the relocation of many employees to higher cost countries.

For the six months ended June 30, 2023, general and administrative expense increased by \$9.6 million compared to the corresponding period of the prior year. This increase was primarily driven by a 15% increase in headcount as we continue to expand our accounting and reporting, legal and compliance, security, IT and internal support teams. It was also driven by a \$2.1 million increase in stock-based compensation compared to the corresponding period of the prior year applicable to these teams, and increased compensation costs associated with the relocation of many employees to higher cost countries. Professional services increases are related to our company growth and the higher costs associated with being a public company.

Exit Costs

All costs associated with our relocation efforts are included in the unaudited condensed consolidated statement of operations in our income from continuing operations under the line item, *Exit Costs*. Exit

costs in connection with our relocation efforts include employee severance and fringe benefit costs, and other associated relocation costs.

During the three and six months ended June 30, 2023, exit costs totaled \$0.3 million and \$1.3 million, respectively, related to our relocation efforts. During the three and six months ended June 30, 2022 exit costs totaled \$3.5 million related to our relocation efforts.

Other Income, Net

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
	(dollars in thousands)				(dollars in thousands)			
Other income, net	\$ 2,919	\$ 711	\$ 2,208	n/a	\$ 4,624	\$ 870	\$ 3,754	n/a
Percentage of total revenue	4 %	1 %			3 %	1 %		

The increase in other income for the three and six months ended June 30, 2023 compared to the corresponding period of the prior year was primarily due to an increase in interest income.

Provision for Income Taxes

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
	(dollars in thousands)				(dollars in thousands)			
Provision for income taxes	\$ 869	\$ 739	\$ 130	18 %	\$ 1,666	\$ 879	\$ 787	90 %
Percentage of total revenue	1 %	1 %			1 %	1 %		

The increase in the provision for income taxes for the three and six months ended June 30, 2023 compared to the corresponding period of the prior year was primarily due to the effects of changes in the jurisdictional mix of earnings, the tax provision recorded on the earnings of our profitable foreign subsidiaries, and the impact of the requirement to capitalize and amortize certain research and development costs which results in a current provision for U.S. taxes but no deferred tax benefit as a result of the valuation allowance maintained against our net deferred tax assets.

Liquidity and Capital Resources

Our principal sources of liquidity have been the net proceeds of our initial public offering in March 2021 and our follow-on offering in November 2021, which totaled \$213.8 million, after deducting underwriting discounts and offering expenses paid or payable by us, and the net proceeds we received through private sales of equity securities, as well as sales of premium subscriptions to our platform.

As of June 30, 2023, we had cash and cash equivalents of \$24.1 million, short-term investments of \$199.7 million, and accounts receivable of \$4.3 million.

Our principal uses of cash in recent periods have been to fund operations, invest in capital expenditures and short-term investments, and strategically acquire new businesses. This cash is held in deposits and money market funds.

We believe our existing cash, cash equivalents, and short-term investments, along with our available financial resources from our credit facility, will be sufficient to meet our operating and capital needs for at

least the next 12 months. Our future capital requirements will depend on many factors, including those set forth under Item 1A. Risk Factors.

In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations, our business, results of operations, and financial condition could be adversely affected.

Our Credit Facility

Pursuant to the Credit Agreement, dated January 12, 2021, as amended from time to time, among us and Semrush, Inc., each as a borrower, the lenders party thereto from time to time and JPMorgan Chase Bank, N.A., as the administrative agent, we have a senior secured credit facility that consists of a \$45.0 million revolving credit facility and a letter of credit sub-facility with an aggregate limit equal to the lesser of \$5.0 million and the aggregate unused amount of the revolving commitments then in effect. The availability of the credit facility is subject to the borrowing base based on an advance rate of 400% multiplied by annualized retention applied to monthly recurring revenue. The credit facility has a maturity of three years and will mature on January 12, 2024.

As of June 30, 2023, we had \$45.0 million available under the revolving credit facility, with \$5.0 million of such revolving commitments available under the letter of credit sub-facility.

All of our obligations under our credit facility will be guaranteed by our future domestic subsidiaries and, subject to certain exceptions, secured by a security interest in substantially all of our tangible and intangible assets.

Borrowings under our credit facility bear interest at our option at (i) the Applicable Benchmark Rate, subject to a 0.50% floor, plus a credit spread adjustment and a margin, or (ii) the alternate base rate, subject to a 3.25% floor (or 1.50% prior to positive consolidated adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") for the twelve months most recently ended), plus a margin. For Applicable Benchmark Rate borrowings, the applicable rate margin is 2.75% (or 3.50% prior to positive consolidated adjusted EBITDA as of the twelve months most recently ended). For base rate borrowings, the applicable margin is 0.00% (or 2.50% prior to positive consolidated adjusted EBITDA as of the twelve months most recently ended). We are also required to pay a 0.25% per annum fee on undrawn amounts under our revolving credit facility, payable quarterly in arrears. As of June 30, 2023, we had not drawn on this revolving credit facility or the letter of credit.

Operating Activities

Our largest source of operating cash is cash collections from our customers for subscription services. Our primary uses of cash from operating activities are for online advertising, personnel costs across the sales and marketing and product and development departments, and hosting costs.

Net cash used in operating activities during the six months ended June 30, 2023 was \$9.9 million as compared to the \$0.6 million provided by operating activities during the six months ended June 30, 2022. The activity resulted from a net loss of \$10.1 million adjusted for non-cash add backs of \$13.7 million and a net cash outflow of \$13.5 million from changes in operating assets and liabilities during the six months ended June 30, 2023. Non-cash charges primarily consisted of \$4.9 million for amortization of deferred contract acquisition costs related to capitalized commissions, \$3.1 million of depreciation and amortization expense, and \$6.6 million of stock-based compensation expense. The changes in operating assets and liabilities were primarily the result of a \$5.2 million decrease in accounts payable and a \$5.8 million increase in deferred contract costs. These outflows were partially offset by a \$7.0 million increase in deferred revenue due to the addition of new customers and expansion of the business.

Net cash provided by operating activities during the six months ended June 30, 2022 was \$0.6 million, which resulted from a net loss of \$10.9 million adjusted for non-cash charges of \$11.3 million and a net cash inflow of \$0.1 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$4.8 million for amortization of deferred contract acquisition costs related to capitalized commissions, \$4.2 million of depreciation and amortization expense, and \$3.1 million of stock-based compensation expense. The changes in operating assets and liabilities were primarily the result of a \$7.2 million increase in deferred revenue due to the addition of new customers and expansion of the business, a \$4.8 million increase in accrued expenses, and a \$0.1 million decrease in accounts receivable. These inflows were partially offset by a \$6.0 million increase in deferred contract costs, a \$2.7 million decrease in accounts payable, and a \$4.9 million increase in prepaid expenses and other current assets.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2023 was \$45.1 million and primarily consisted of \$172.7 million in purchases of short-term investments. This activity was partially offset by \$132.7 million in proceeds from sales and maturities of short-term investments.

Net cash used in investing activities for the six months ended June 30, 2022 was \$19.6 million and primarily consisted of \$14.0 million in cash paid for the acquisition of businesses, \$2.8 million in purchases of property and equipment, and \$2.0 million in purchases of convertible debt securities.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2023 was \$0.6 million and consisted of \$1.2 million of cash outflows related to the payment of finance leases partially offset by inflows of \$0.3 million related to proceeds from shares issued in connection with the Employee Stock Purchase Plan as well as \$0.3 million relating to the exercise of stock options.

Net cash used in financing activities for the six months ended June 30, 2022 was \$0.3 million and consisted of cash outflows of \$1.4 million relating to payments on capital leases, partially offset by \$1.2 million of cash inflows relating to the exercise of stock options.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under leases for office space and leases for data center facilities. For more information regarding our lease obligations, see Note 4 to the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q. In addition to our leases, we also have multi-year commitments with certain data providers expiring at various dates through 2026. For more information regarding our commitments with data providers, see Note 16 to the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q. We expect to fund these obligations with cash flows from operations and cash on our balance sheet.

Recent Accounting Pronouncements

See the section titled "Recent Accounting Pronouncements" in Note 2 "Summary of Significant Accounting Policies" to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of unaudited condensed

consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates.

Our critical accounting policies and estimates are described under the heading Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2022 and in Note 2 "Summary of Significant Accounting Policies" to the unaudited 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 risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates, interest rates, and inflation. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates. Our investments primarily consist of short-term investments and money market funds. As of June 30, 2023 we had cash, cash equivalents, and short-term investments of \$223.8 million. The carrying amount of our cash and cash equivalents reasonably approximates fair value, due to the short maturities of these investments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We are obligated by our investment policy to invest the majority of our portfolio into U.S. government securities. We do not enter into investments for trading or speculative purposes. Our short-term investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we believe only dramatic fluctuations in interest rates would have a material effect on our investments. We do not believe that an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio. As such we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

Foreign Currency Exchange Risk

We are not currently subject to significant foreign currency exchange risk with respect to revenue as our U.S. and international sales are predominantly denominated in U.S. dollars. However, we have some foreign currency risk related to a small amount of sales denominated in euros, and expenses denominated in euros and other currencies. Sales denominated in euros reflect the prevailing U.S. dollar exchange rate on the date of invoice for such sales. Increases in the relative value of the U.S. dollar to the euro may negatively affect revenue and other operating results as expressed in U.S. dollars. We incur significant expenses outside the United States denominated in foreign currencies, primarily the euro. In connection with our operations in Europe with expenses in euros and other currencies, we are exposed to some increased foreign currency exchange risk related to additional expenses denominated in euros. If the average exchange rates of any of these foreign currencies strengthen against the dollar, the dollar value of our expenses outside the United States will increase. For example, an immediate 10% decrease or increase in the relative value of the U.S. dollar to the euro would result in a \$3.5 million gain or loss on our unaudited condensed consolidated statements of operations and cash flows.

We have not engaged in the hedging of foreign currency transactions to date. However, as our international operations expand, our foreign currency exchange risk may increase. If our foreign currency exchange risk increases in the future, we may evaluate the costs and benefits of initiating a foreign currency hedge program in connection with non-U.S. dollar denominated transactions.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on management's evaluation as of the quarter ended June 30, 2023, our Chief Executive Officer and Chief Financial Officer have concluded that, as a result of the material weaknesses in our internal control over financial reporting as described below and in Part II Item 1A. Risk Factors, our disclosure controls and procedures were not effective as of June 30, 2023. As disclosed under Part II Item 1A. Risk Factors, in connection with the preparation of our unaudited condensed consolidated financial statements for the quarter ended September 30, 2022, we identified material weaknesses in our internal control over financial reporting related to deficiencies in our controls over the financial statement close process and the cash disbursement process. Specifically, we identified deficiencies in the design and operation of internal controls over the period-end recognition and cutoff for certain expenses.

Notwithstanding the identified material weaknesses, our management believes the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. GAAP.

During 2022 and through the second quarter of 2023, we took a number of actions, including the efforts outlined below, designed to improve our internal control over financial reporting to remediate the material weaknesses identified above. These efforts include:

- Hiring additional qualified accounting personnel, including an SVP of Accounting, Corporate Controller, and International Controller;
- Engaging a professional accounting services firm to assist us with the design, implementation, and documentation of internal controls to address relevant financial reporting risks;
- Strengthening, formalizing, documenting and testing accounting processes and internal controls; and;
- Enhancing functionality of our enterprise resource planning system to support certain key financial processes and controls and enforce certain segregation of duties through automation and approval workflows.

We believe significant progress was made during 2022 and through the second quarter of 2023 to enhance and strengthen our internal control over financial reporting. However, management has concluded that the material weaknesses were not fully remediated as of June 30, 2023.

The measures we are implementing are subject to continued management review supported by confirmation and testing, as well as audit committee oversight. Management and the Audit Committee remain committed to the implementation of remediation efforts to address the material weaknesses. We will continue to implement measures to remedy our internal control deficiencies, though there can be no assurance that our efforts will be successful or avoid potential future material weaknesses. In addition, until remediation steps have been completed and are operated for a sufficient period of time, and

subsequent evaluation of their effectiveness is completed, the material weakness previously disclosed, and as described above, will continue to exist.

Changes in Internal Control Over Financial Reporting

Except for the remediation measures in connection with the material weaknesses described above, there were no other changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all 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 limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls 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 cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the ultimate costs to resolve any pending matter will not have a material adverse effect on our business, operating results, financial condition, or cash flows. 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

A description of the risks and uncertainties associated with our business is set forth below. Investing in our securities 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, before making a decision to invest in our securities. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be harmed. In that event, the trading price of our securities could decline, and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Most Material Risks to Us

We derive, and expect to continue to derive, substantially all of our revenue and cash flows from our paying customers with premium subscriptions, and our business and operating results will be harmed if our paying customers do not renew their premium subscriptions.

We derive, and expect to continue to derive, substantially all of our revenue and cash flows from our paying customers with premium subscriptions. Our business and financial results depend on our paying customers renewing their subscriptions for our products when existing contract terms expire. Although our customer agreements generally provide for auto-renewal of subscriptions, our paying customers have no obligation to renew their premium subscriptions if they provide proper notice of their desire not to renew, and we cannot guarantee that they will renew their premium subscriptions for the same or longer terms, the same or a greater number of user licenses or products and add-ons, or at all. We offer premium subscriptions on a monthly or annual basis with our annual subscriptions receiving a discount for the longer-term commitment. Our paying customers predominantly choose monthly subscription terms, which allow them to terminate or adjust their premium subscriptions with us on a monthly basis as external factors change and could cause our results of operations to fluctuate significantly from quarter to quarter. Our renewal rates, including our dollar-based net revenue retention rate, may decline or fluctuate as a result of a number of factors, including customer satisfaction with our platform and products, reliability of our products, our customer success and support experience, the price and functionality of our platform, products, and add-ons relative to those of our competitors, mergers and acquisitions affecting our customer base, the effects of global economic conditions and other external factors, or reductions in our customers' spending levels. Our business and operating results will be adversely affected if our paying customers do not renew their premium subscriptions.

Our business and operating results will be harmed if our paying customers do not upgrade their premium subscriptions or if they fail to purchase additional products.

Our future financial performance also depends in part on our ability to continue to upgrade paying customers to higher-price point subscriptions and sell additional user licenses, and products and add-ons such as Prowly, Sellzone, and Market Explorer, our competitive intelligence tool. Conversely, our paying customers may convert to lower-cost or free subscriptions if they do not perceive value in continuing to pay for our higher-price point subscriptions, thereby impacting our ability to increase revenue. For example, a paying customer subscribing to our core product through a "Business" subscription may downgrade to the "Guru" subscription if they do not deem the additional features and functionality worth the incremental costs. To expand our relationships with our customers, we must demonstrate to existing paying and free customers that the additional functionality associated with an upgraded subscription outweighs the incremental costs. Our customers' decisions as to whether to upgrade their subscriptions or not is driven by a number of factors, including customer satisfaction with the security, performance, and reliability of our platform and products, the perceived quality of our customer service, general economic conditions, the price and functionality of our platform and products relative to those of our competitors, and customer reaction to the price for additional products. If our efforts to expand our relationships with our existing paying and free customers are not successful, our revenue growth rate may decline and our business and operating results will be adversely affected.

If we fail to attract new potential customers, register them for trials, and convert them into paying customers, our operating results would be harmed.

The number of new customers we attract, whether as free or paying customers, is a key factor in growing our customer and premium subscription base which drive our revenues and collections. We

utilize various unpaid content marketing strategies, including blogs, webinars, thought leadership, and social media engagement, as well as paid advertising, to attract visitors to our websites. We cannot guarantee that these unpaid or paid marketing efforts will continue to attract the same volume and quality of traffic to our websites or will continue to result in the same level of registrations for premium subscriptions as they have in the past. In the future, we may be required to increase our marketing spend to maintain the same volume and quality of traffic. Moreover, we cannot be certain that increased sales and marketing spend will generate more paying customers without increasing our customer acquisition costs on a per paying customer basis. We offer potential customers several tiered subscription options for our online visibility management platform, including free subscriptions of a limited-functionality product and premium subscriptions of our "Pro", "Guru," or "Business" offerings for our core product, depending on the level of functionality they seek. We have materially grown our number of paying customers through the provision of free subscriptions and through trials of a premium version of our online visibility and marketing insight products. Trial subscriptions automatically become premium subscriptions if the customer does not opt out of the trial subscription after the trial period is over, and such trial subscriptions can be upgraded to obtain additional features, functionality, and varying levels of access and report generating capabilities. In the future, we may be required to provide additional functionality to our free subscriptions to attract visitors to our websites and incent visitors to sign up for free subscriptions. In addition, we encourage our free customers to upgrade to premium subscriptions through in-product prompts and notifications, by recommending additional features and functionality, and by providing customer support to explain such additional features and functionality. Our failure to attract new free customers and convert them into paying customers could have a material adverse effect on our operating results as our business may be adversely affected by the costs of, and sales lost from, making certain of our products available on a free basis.

Our strategy is to sell premium subscriptions of our platform to paying customers of all sizes, from sole proprietors, to SMBs, to large enterprise customers. Selling monthly premium subscriptions to SMBs generally involves lower or plateauing premium subscription upgrade potential, lower retention rates (especially in times of economic uncertainty where marketing and sales budgets are subject to increased scrutiny and reduction), and more limited interaction with our sales and other personnel than sales to large enterprises. Conversely, sales to large enterprises generally entail longer sales cycles, more significant and costly selling and support efforts, and greater uncertainty of completing the sale than sales to SMBs. If and as our paying customer base expands to include more large enterprise customers, our sales expenses may increase, sales cycles may lengthen and become less predictable and we may see a greater number of paying customers with longer terms and extended payment terms which, in turn, may increase our paying customer acquisition costs, increase our credit risk, and may in other ways adversely affect our financial results.

The market in which we operate is intensely competitive, and if we do not compete effectively, our ability to attract and retain free and paying customers could be harmed, which would negatively impact our business and operating results.

The market for our products is fragmented, rapidly evolving, and highly competitive. Our all-in-one SaaS platform competes with software products and solutions that are focused on a particular customer need, or point solutions. For example, we compete with point solutions for search advertising and search engine optimization ("SEO"), marketing analytics and social media management ("SMM"), market intelligence, and digital public relations software. Our ability to attract and retain free and paying customers depends in part on the actual and perceived quality and design of our platform, products, and add-ons compared to competitive point solutions and continued market acceptance of our platform, products, and add-ons for existing and new use-cases. To remain competitive and to acquire new customers, we must deliver features and functionality that enhance the utility and perceived value of our platform, products, and add-ons to our prospective and existing customers. Our platform, products, and add-ons must (i) operate without the presence of material software defects, whether actual or perceived, (ii) maintain deep and rich data sources, (iii) adapt to the changing needs of our current and prospective customers including by developing new technology, (iv) adapt to changing functionality and provide

interoperability with third-party APIs, (v) maintain and develop integrations with complementary third-party services that provide value to our customers, (vi) be easy to use and visually pleasing, (vii) deliver rapid return on investment to our customers across multiple functions within their organizations, and (viii) be delivered with a superior customer support experience. We may not be successful in delivering on some or all of the foregoing or in doing so while maintaining competitive pricing, which could result in customer dissatisfaction leading to termination or downgrades of premium subscriptions, fewer new free customers, fewer subscription upgrades or lower dollar-based net revenue retention rates, prospective customers' selection of our competitors' products over our own, and other adverse effects on our business.

Many of our current and future competitors benefit from competitive advantages over us, such as greater name recognition, longer operating histories, more targeted products for specific use cases, larger sales and more established relationships or integrations with third-party data providers, search engines, online retail platforms, and social media networking sites, and more established relationships with customers in the market. Additionally, many of our competitors may expend a considerably greater amount of funds on their research and development efforts, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors' research and development programs. Specifically, our competitors focusing on point solutions may have the ability to expend greater funds in a more targeted manner to develop superior solutions that address a specific need, as compared to our research and development expenditures which are allocated across our platform. In addition, some of our competitors may enter into strategic relationships or consummate strategic acquisitions to offer a broader range of functionality than we do, a more competitive multi-point solution, or to address needs that our platform does not. These types of business combinations may make it more difficult for us to acquire new customers or maintain or upgrade our customers, any of which could ultimately impact our ability to compete effectively. We expect these competitive pressures to continue as competitors attempt to strengthen or preserve their market positions and as new competitors enter the market.

Demand for our platform is also price sensitive. Many factors, including our marketing, sales and technology costs, and the pricing and marketing strategies of our competitors, can significantly affect our pricing strategies. Certain competitors offer, or may in the future offer, lower-priced or free products that compete with our platform, products, and/or add-ons, or may bundle their solutions with other companies' offerings to provide a broader range of functionality at reduced volume pricing. Similarly, certain competitors may use marketing strategies that enable them to acquire customers at a lower cost than we do. Even if such competitive products do not include all the features and functionality that our platform provides, we could face pricing pressure to the extent that customers find such alternative products to be sufficient to meet their needs or do not perceive a material return on investment from the additional features and functionality they would obtain by purchasing our platform relative to the competitive point solutions. Additionally, our competitors may further drive down the price through strategic business combinations. We may be forced to engage in price-cutting initiatives, offer other discounts, or increase our sales and marketing and other expenses to attract and retain free and paying customers in response to competitive pressures, any of which would harm our business and operating results.

We have incurred losses in the past and may not consistently achieve profitability in the future.

We have a history of incurring net losses and, although we have achieved profitability in certain periods, we do not know if we will be able to achieve or sustain profitability in the future. We incurred a net loss of \$0.3 million for the six months ended June 30, 2023 and net losses of \$3.3 million and \$33.8 million for the years ended December 31, 2021 and 2022, respectively. We had an accumulated deficit of \$83.1 million as of June 30, 2023. We plan to continue to invest in our research and development, and sales and marketing efforts, and we anticipate that our operating expenses will continue to increase as we scale our business and expand our operations. We also expect our general and administrative expenses to increase as a result of our growth and operating as a public company. Our ability to achieve and sustain profitability is based on numerous factors, many of which are beyond our control.

Our products depend on publicly available and paid third-party data sources, and, if we lose access to data provided by such data sources or the terms and conditions on which we obtain such access become less favorable, our business could suffer.

We have developed our platform, products, and add-ons to rely in part on access to data from third-party sources. The primary sources of third-party data include data collected from third-party websites algorithmically through our proprietary data collection techniques, including web crawling of third-party websites, data purchased from independent third-party data providers, which includes clickstream data, search engine data, online advertising data, and data from social media sources, and reference data that our customers grant us access to, which includes our customers' website and social media data. We obtain social media data through APIs that connect to social media platform operators, including Facebook, Twitter, Instagram, Pinterest, and LinkedIn. We also collect data from our customers in connection with their use of our platform.

To date, our relationships with most data providers (including social media platforms) are governed by such data providers' respective standard terms and conditions, which govern the availability and access to, and permitted uses of such data (including via APIs), and which are subject to change by such providers from time to time, with little or no notice and with little or no right of redress. Similarly, our access to publicly available data may depend on restrictions that website owners may impose through technical measures or otherwise, including restrictions on automated data collection. We cannot accurately predict the impact of changes in the terms of data providers that may impede our access to the data. If these data providers or websites choose not to make their data available on the same terms, or at all, we would have to seek alternative sources, which could prove expensive and time-consuming, and may be less efficient or effective. Such changes could impact our ability to provide our services in a timely manner, if at all, and could negatively impact the perceived value of our platform and our business. There can be no assurance that following any such modification of terms or termination we would be able to maintain the current level of functionality of our platform in such circumstances, which could adversely affect our results of operations.

We also rely on negotiated agreements with other data providers from whom we purchase independently sourced data, including clickstream data, search engine data, online advertising data, data from social media, and other sources. These negotiated agreements provide access to additional data that allow us to provide a more comprehensive solution for our customers. These agreements are subject to termination in certain circumstances, and there can be no assurance that we will be able to renew those agreements or that the terms of any such renewal, including pricing and levels of service, will be favorable. In addition, there can be no assurance that we will not be required to enter into new negotiated agreements with data providers in the future to maintain or enhance the level of functionality of our platform, or that the terms and conditions of such agreements, including pricing and levels of service, will not be less favorable, which could adversely affect our results of operations. Further, third-party data providers have previously, and may again, cease operations or a specific business line or cease providing products or data to their customers, including us. If we are not able to obtain third-party data on commercially reasonable terms, if these data providers stop making their data available to us, or if our competitors are able to purchase such data on better terms, the functionality of our platform and our ability to compete could be harmed.

To the extent that we license or obtain data from third parties, we may be subject to contractual obligations to satisfy certain requirements under applicable laws including, but not limited to, providing public notice of our data processing activities and obtaining appropriate consents where required. If one or more of those third-party data providers considers that we have failed to satisfy these requirements, such third-party data provider may bring claims against us seeking damages, and/or seeking to prevent access to our additional data or our future use of any data already provided. Such claims could potentially adversely affect our ability to provide our services and the current level of functionality of our platform in such circumstances, which could adversely affect our results of operations.

Our business may be harmed if any of our data sources:

- changes, limits, or discontinues our access to their data;
- modifies its terms of service or other policies, including imposing prohibitive fees or restrictions on our use of their data or our ability to access it;
- changes or limits how customer information is accessed by us or our customers and their users;
- changes or limits how we can use such data;
- establishes more favorable relationships with one or more of our competitors; or
- experiences disruptions of its technology, services, or business generally.

Risks Related to Our Business

Our ability to introduce new products, tools, and add-ons is dependent on adequate research and development resources. If we do not adequately fund our research and development efforts or use product and development teams effectively, our business and operating results may be harmed.

To remain competitive, we must continue to develop new product offerings, as well as features and enhancements to our existing platform and products. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. If we experience high turnover of our product and development personnel, a lack of management ability to guide our research and development, or a lack of other research and development resources, we may miss or fail to execute on new product development and strategic opportunities and consequently lose potential and actual market share. The success of our business is dependent on our product and development teams developing and executing on a product roadmap that allows us to retain and increase the spending of our existing customers, attract new customers and upgrade our free customers to premium subscriptions. Our failure to maintain adequate research and development resources, to use our research and development resources efficiently, or to address the demands of our prospective and actual customers could materially adversely affect our business.

If we are unable to maintain and enhance our brand, or if events occur that damage our reputation and brand, our ability to maintain and expand our customer base may be impaired, and our business and financial results may be harmed.

Maintaining, promoting, and enhancing our brand is critical to maintaining and expanding our customer base. We seek to build our brand through a mix of free and paid initiatives. We market our platform and products through free information resources on our website, including our blog and online digital marketing courses (including through our Semrush Academy), pay-per-click advertisements on search engines and social networking sites, participation in social networking sites, and free and paid banner advertisements on other websites. The strength of our brand further drives free traffic sources, including customer referrals, word-of-mouth, and direct searches for our "Semrush" name, or web presence solutions, in search engines. In addition, we maintain relationships with agencies and affiliates to further increase brand awareness and generate customer demand. To the extent that new customers are increasingly derived from paid as opposed to free marketing initiatives, our customer acquisition cost will increase.

Beyond direct sales and marketing efforts, maintaining and enhancing our brand will depend largely on our ability to continue to provide a well-designed, useful, reliable, and innovative platform, efficient sales process, and high-quality customer service, which we may not do successfully.

We depend on our executive officers and other key employees, and the loss of one or more of these employees could harm our business.

Our success depends largely upon the continued services of our executive officers and other key employees. We rely on our leadership team in the areas of research and development, operations, security, marketing, sales, customer service, and general and administrative functions, and on individual contributors and team leaders in our research and development and operations. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. The loss of one or more of our executive officers or key employees could harm our business. Changes in our executive management team may also cause disruptions in, and harm to, our business.

Changes by search engines, social networking sites, and other third-party services to their underlying technology configurations or policies regarding the use of their platforms and/or technologies for commercial purposes, including anti-spam policies, may limit the efficacy of certain of our products, tools, and add-ons and as a result, our business may suffer.

Our online visibility platform is designed to help our customers connect with consumers across a variety of digital channels, search engines, social networking sites, and other third-party services. These services may adapt and change their strategies and policies over time. Search engines typically provide two types of search results, organic (i.e., non-paid) and purchased listings. Organic search results are determined and organized solely by automated criteria set by the search engine, and a ranking level cannot be purchased. Search engines revise their algorithms from time to time in an attempt to optimize their search result listings. Changes to search engine algorithms may diminish the efficacy of certain of our products, tools, and add-ons, and potentially render them obsolete. For example, if a given search engine stopped using backlinks in its ranking algorithm, our customers' perception of our backlink analytics tool, which enables customers to analyze and monitor the backlink profile of their own and other websites, may be adversely impacted. Similarly, if a search engine ceases to manually penalize or take action against web pages for unnatural backlinks, then our customers may determine that auditing their backlinks is unnecessary which could cause them to devalue our backlink audit tool, which enables companies to check whether malicious websites have links to their sites, or cease using it altogether. In response to these types of changes we may be required to recalibrate our product offerings by reducing prices, discontinuing the affected product, or otherwise. These responses may be costly, may not be effective, and our business may suffer.

Additionally, search engines, social networking sites, third-party artificial intelligence services and other third-party services typically have terms of service, guidelines, and other policies to which its users are contractually obligated to adhere. For example, Google's Gmail offering has a spam and abuse policy that prohibits sending spam, distributing viruses, or otherwise abusing the service. Prowly and our email distribution tool enable our customers to send emails to their desired recipients, such as journalists and bloggers. Our email distribution tool relies on a DMARC integration which enables our customers to send emails using our platform as if they were sending emails directly from their email provider, and our Prowly product involves emails initiated by customers over Prowly servers. Our customers' actions using either the link building tool or Prowly could be flagged under Google's spam and abuse policy or in the future such actions may be prohibited by subsequent changes to Google's policies. Any change to the policies of the third-party services with which our products, tools, and add-ons integrate or interact, or with which our products are intended to be used, including any anti-spam policies, or any actions taken by these third-party service providers under their policies could adversely impact the efficacy and perceived value of our products, tools, and add-ons, and as a result, our business may be harmed.

If third-party applications change such that we do not or cannot maintain the compatibility of our platform with these applications or if we fail to integrate with or provide third-party applications that our customers desire to use with our products, demand for our solutions and platform could decline.

The attractiveness of our platform depends, in part, on our ability to integrate via APIs with third-party applications that our customers desire to use with our products, such as Google, Facebook, Instagram, Twitter, YouTube, LinkedIn, Pinterest, Majestic, and others. Third-party application providers may change the features of their applications and platforms, including their APIs, or alter the terms governing use of their applications and platforms in an adverse manner. Further, third-party application providers may refuse to partner with us, or limit or restrict our access to their applications and platforms. Such changes could functionally limit or terminate our ability to use these third-party applications with our platform, which could negatively impact our offerings and the customer experience, and ultimately harm our business. If we fail to integrate our platform with new third-party applications that our customers desire, or to adapt to the data transfer requirements of such third-party applications and platforms, we may not be able to offer the functionality that our customers expect, which would negatively impact our offerings and, as a result, harm our business. Additionally, our business could be harmed if our customers have negative experiences in using the third-party integrations that we offer.

If we fail to maintain and improve our methods and technologies, or fail to anticipate new methods or technologies for data collection and analysis, hardware, software, and software-related technologies, competing products and services could surpass ours in depth, breadth, or accuracy of our data, the insights that we offer or in other respects, which could result in a loss of customers and harm our business and financial results.

We expect continuous development in the market with respect to data matching, data filtering, data predicting, algorithms, machine learning, artificial intelligence, and other related technologies and methods for gathering cataloging, updating, processing, analyzing, and communicating data and other information about how consumers find, interact with, and digest digital content. Similarly, we expect continuous changes in computer hardware, network operating systems, programming tools, programming languages, operating systems, the use of the internet, and the variety of network, hardware, browser, mobile, and browser-side platforms, and related technologies with which our platform and products must integrate. Further, changes in customer preferences, including greater adoption of artificial intelligence, or regulatory requirements may require changes in the technology used to gather and process the data necessary to deliver our customers the insights that they expect. As a result, we may be required to commit significant resources to developing new products, software, and services before knowing whether such investments will result in products or services that the market will accept. Any of these developments and changes could also create opportunities for a competitor to create products or a platform comparable or superior to ours, or that takes material market share from us in one or more product categories, and create challenges and risks for us if we are unable to successfully modify and enhance our products to adapt accordingly.

If we fail to anticipate and adapt to new and increasingly prevalent social media platforms, and the growing use of artificial intelligence platforms, other competing products and services that do so more effectively could surpass us and lead to decreased demand for our platform and products.

The use of both social media and artificial intelligence platforms, such as ChatGPT, throughout the world is pervasive and growing. The social media industry has experienced, and is likely to continue to experience, rapid change due to the evolving trends, tastes and preferences of users. Likewise, we expect to see continued and rapid growth of chatbot platforms that leverage the use of artificial intelligence and could result in lower demand for traditional search engine technologies. If consumers widely adopt new social media networks and artificial intelligence platforms, we will need to develop integrations and functionality related to these new networks and platforms. These development efforts may require significant compliance, research and development and sales and marketing resources, as

well as licensing fees, all of which could adversely affect our business and operating results. In addition, new social media networks and artificial intelligence platforms may not provide us with sufficient access to data from their networks and platforms, preventing us from building effective integrations with our platform and products. Changing consumer tastes may also render our current integrations or functionality obsolete and the financial terms, if any, under which we would obtain integrations or functionality, unfavorable. Any failure of our products to operate effectively with the social media networks used most frequently by consumers, or emerging artificial intelligence platforms, could reduce the demand for our products. If we are unable to respond to these changes in a cost-effective manner, our products and aspects of our platform may become less marketable and less competitive or obsolete, and our operating results may be negatively affected.

Failures or loss of, or material changes with respect to, the third-party hardware, software, and infrastructure on which we rely, including third-party data center hosting facilities and third-party distribution channels to support our operations, could adversely affect our business.

We rely on leased and third-party owned hardware, software and infrastructure, including third-party data center hosting facilities and third-party distribution channels to support our operations. We primarily use three data centers in the United States, two located in Virginia and one in Georgia, as well as two Google Cloud locations in Virginia and South Carolina. We host most of our products and the data processed through such products in a combination of two of the foregoing locations for redundancy. If any of our data center suppliers experience disruptions or failures, it would take time for the applicable backup data center to become fully functioning, and we would likely experience delays in delivering the affected products and segments of our platform, which may involve incurring significant additional expenses.

Furthermore, the owners and operators of our data center facilities do not guarantee that access to our platform will be uninterrupted or error-free. We do not control the operation of these third-party providers' facilities, which could be subject to break-ins, cybersecurity incidents (including system-encrypting ransomware), sabotage, intentional acts of vandalism and other misconduct. Further, our leased servers and data centers are vulnerable to damage or interruption from natural disasters, terrorist attacks, power loss, telecommunications failures or similar catastrophic events. Health epidemics, including any further impacts from the COVID-19 pandemic could cause our third-party data center hosting facilities and cloud computing platform providers, which are critical to our infrastructure, to shut down their operations, experience technical or security incidents that delay or disrupt performance or delivery of services to us, or experience interference with the supply chain of hardware required by their systems and services, any of which could materially adversely affect our business. For example, we previously experienced delays in migrating to our data center in Virginia, due to the limited availability of certain required hardware components resulting from supply chain delays caused by the COVID-19 pandemic. If there were to be a significant outage or disaster that rendered one of our servers or data centers inoperable for any length of time, we would have to undertake recovery operations for the impacted products, which could interrupt the availability of our platform. If we were unable to restore the availability of our platform and products within a reasonable period of time, our customer satisfaction could suffer, damaging our reputation as a result, and we could lose customers to our competition, which would materially and adversely affect our business and results of operations.

In addition, third-party data hosting and transmission services comprise a significant portion of our operating costs. If the costs for such services increase due to vendor consolidation, regulation, contract renegotiation, or otherwise, we may not be able to increase the fees for our platform or products to cover the changes, which would have a negative impact on our results of operations.

If the security of the confidential information or personal information of our customers on our platform is breached or otherwise subjected to unauthorized access or disclosure, our reputation may be harmed, and we may be exposed to significant liability.

With consent from our customers, we obtain personal, confidential, and other customer data from our customers' websites, social media accounts, and Google Analytics' accounts to operate certain functionality on our platform. We rely on credit card purchases as the primary means of collecting our premium subscription fees. In addition, with consent from our customers, we collect and store certain personally identifiable information ("personal data"), credit card information, and other data needed to create, support, and administer the customer account, conduct our business, and comply with legal obligations, including rules imposed by the Payment Card Industry networks.

We believe that we take reasonable steps to protect the security, confidentiality, integrity, and availability of the information we and our third-party service providers hold, but there is no guarantee that despite our efforts, inadvertent disclosure (such as may arise from software bugs or other technical malfunctions, employee error or malfeasance, improper use of third-party artificial intelligence services, or other factors) or unauthorized access, acquisition, disclosure or loss of personal or other confidential information will not occur or that third parties will not gain unauthorized access to this information. Attacks on information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and they are being conducted by increasingly sophisticated and organized groups and individuals with a wide range of motives and expertise. Such attacks could include the deployment of harmful malware, system-disrupting ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information. Further, the prevalence of remote work by our employees and those of our third-party service providers creates increased risk that a cybersecurity incident may occur. We have experienced, and may experience in the future, breaches of our security due to human error, malfeasance, system errors or vulnerabilities, or other irregularities. For example, we have been the target of attempts to identify and exploit system vulnerabilities and/or penetrate or bypass our security measures to gain unauthorized access to our systems, including a brute force attack that resulted in access to our affiliate program partner contact information. Since techniques used to conduct malicious cyber activities change frequently, we and our third-party service providers may be unable to anticipate these techniques or to implement adequate measures to prevent or detect them. If our security measures or the security measures of our third-party service providers fail, or if vulnerabilities in our software are exposed and exploited, and, as a result, a third party disrupts the operations of our systems or obtains unauthorized access to any customers' data, our relationships with our customers may be damaged, and we could incur liability. Further, our customers with annual subscription terms may have the right to terminate their subscriptions before the end of the subscription term due to our uncured material breach of agreement, including with respect to our data security obligations. It is also possible that unauthorized access to customer data may be obtained through inadequate use of security controls by customers, suppliers or other vendors. While we are not currently aware of any impact that supply chain attacks, including the SolarWinds attack, may have had on our business, these events are complex, difficult to defend against, and of unknown scope, therefore we could face a level of ongoing residual risk of security breaches resulting from this type of events. We may also be subject to additional liability risks for failing to disclose data breaches or other security incidents under state data breach notification laws or under the private right of action granted to individuals under certain data privacy laws for actions arising from certain data security incidents, such as the California Consumer Privacy Act ("CCPA") (which is further discussed below in this "Risk Factors" section). In addition, some regions, such as the EU, the United Kingdom ("UK"), and the United States, have enacted mandatory data breach notification requirements for companies to notify data protection authorities, state and federal agencies, or individuals of data security incidents or personal data breaches. We may also be contractually required to notify certain customers in the event of a security incident pursuant to the applicable customer agreement. These mandatory disclosures regarding a security breach may lead to negative publicity and may cause our customers to lose confidence in the effectiveness of our data security measures. Any security breach, whether actual or perceived, may harm our reputation, and we could lose customers or fail to acquire new customers.

Federal, state, and provincial regulators and industry groups may also consider and implement from time to time new privacy and security requirements that apply to our business, such as the long established Massachusetts data security regulations and the New York Stop Hacks and Improve Electronic Data Act, both of which establish administrative, technical, and physical data security requirements for companies, and permit civil penalties for each violation. Compliance with evolving privacy and security laws, requirements, and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on our business models and the development of new administrative processes. They also may impose further restrictions on our collection, disclosure, and use of personally identifiable information kept in our databases or those of our vendors. If our security measures fail to protect credit card information adequately, we could be liable to both our customers and their users for their losses, as well as the vendors under our agreements with them such that we could be subject to fines and higher transaction fees, we could face regulatory action, and our customers and vendors could end their relationships with us, any of which could harm our business, results of operations or financial condition. Any intentional or inadvertent security breaches or other unauthorized access to or disclosure of personal data could expose us to enforcement actions, regulatory or governmental audits, investigations, litigation, fines, penalties, adverse publicity, downtime of our systems, and other possible liabilities. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. In addition, our cybersecurity insurance coverage may be inadequate to cover all costs and expenses associated with a security breach that may occur in the future. We may need to devote significant resources to defend against, respond to and recover from cybersecurity incidents, diverting resources from the growth and expansion of our business.

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction or attract new employees and customers and our business could suffer.

We have experienced, and expect to continue to experience, rapid growth in our number of customers, sales, revenues, locations, and headcount, which has placed, and may continue to place, significant demands on our management, and our operational and financial resources. We have paying customers in over 148 countries, and the number of our paying customers has grown from over 95,000 as of December 31, 2022 to over 104,000 as of June 30, 2023. We have 13 offices across the globe with personnel dispersed in various other locations, and the continued domestic and international growth that we anticipate will require us to continue to expand our global employee headcount. It may be difficult for us to identify, recruit, train, and manage enough personnel to efficiently scale our operations, manage our product development effectively and to match the growth of our customer base. See the risk factor titled "Increases in labor costs, including wages, and an overall tightening of the labor market, could adversely affect our business, results of operations or financial condition" in this Item 1A. Risk Factors for more information on the risks posed by a competitive labor market. As we continue to grow, we face challenges of integrating, developing, training, and motivating a rapidly growing and increasingly dispersed employee base. We are facing novel challenges with respect to integrating new employees in a remote setting and managing multi-geographic teams as a result of shifting our workplace operations to a combination of in-office, hybrid or remote working models, due to the COVID-19 pandemic and certain of our onboarding personnel travelling between our offices to assist with such integration and training. Certain members of our executive management team have not previously worked together for an extended period of time, which may affect how they manage our growth. If we fail to manage our anticipated growth effectively, our brand and reputation could be negatively affected, which could harm our ability to attract employees and customers.

To manage growth in our operations and personnel, we will need to continue to scale and improve our operational, financial, and management controls, and our reporting systems and procedures, which will require significant capital expenditures increasing our cost of operations and the reallocation of valuable management resources. As we scale, it may become more difficult and will require additional capital expenditures to maintain and increase the productivity of our employees, to address the needs of

our actual and prospective customers, and provide high-quality customer service, to further develop and enhance our products, and remain competitive against our competitors' products. Additionally, our global expansion and relocation efforts have placed, and our expected future growth will continue to place, a significant strain on our management, customer service teams, product and development, sales and marketing, administrative, financial, and other resources.

Technical problems or disruptions that affect either our customers' (and their users') ability to access our platform and products, or the software, internal applications, database, and network systems underlying our platform and products, could damage our reputation and brands, lead to reduced demand for our platform and products, lower revenues, and increased costs.

Our business, brands, reputation, and ability to attract and retain customers depend upon the satisfactory performance, reliability, and availability of our platform, which in turn depend upon the availability of the internet and our third-party service providers. Interruptions in these systems, whether due to system failures, computer viruses, software errors, physical or electronic break-ins, malicious hacks or attacks on our systems (such as denial of service attacks), or force majeure events, could affect the security and availability of our products and prevent or inhibit the ability of customers to access our platform. In addition, the software, internal applications, and systems underlying our products and platform are complex and may not be error-free. We may encounter technical problems when we attempt to perform routine maintenance or enhance our software, internal applications, and systems. In addition, our platform may be negatively impacted by technical issues experienced by our third-party service providers. Any inefficiencies, errors, or technical problems with our software, internal applications, and systems could reduce the quality of our platform and products or interfere with our customers' (and their users') use of our platform and products, which could negatively impact our brand, reduce demand, lower our revenues, and increase our costs.

The use of new and evolving technologies, such as artificial intelligence, in our offerings may result in spending material resources and presents risks and challenges that can impact our business including by posing security and other risks to our confidential information, proprietary information and personal information, and as a result we may be exposed to reputational harm and liability.

We continue to build and integrate artificial intelligence into our offerings, and this innovation presents risks and challenges that could affect its adoption, and therefore our business. If we enable or offer solutions that draw controversy due to perceived or actual negative societal impact, we may experience brand or reputational harm, competitive harm or legal liability. The use of certain artificial intelligence technology can give rise to intellectual property risks, including compromises to proprietary intellectual property and intellectual property infringement. Additionally, we expect to see increasing government and supranational regulation related to artificial intelligence use and ethics, which may also significantly increase the burden and cost of research, development and compliance in this area. The rapid evolution of artificial intelligence will require the application of significant resources to design, develop, test and maintain our products and services to help ensure that artificial intelligence is implemented in accordance with applicable law and regulation and in a socially responsible manner and to minimize any real or perceived unintended harmful impacts. Our vendors may in turn incorporate artificial intelligence tools into their own offerings, and the providers of these artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards, including with respect to privacy and data security. Further, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, confidential information and intellectual property. Any of these effects could damage our reputation, result in the loss of valuable property and information, cause us to breach applicable laws and regulations, and adversely impact our business.

We are exposed to risks associated with payment processing and any disruption to such processing systems could adversely affect our business and results of operations.

We primarily rely on our own billing systems to manage our subscriptions and billing frequencies, and we use third-party subscription management and payment processing platforms for some of our products. If we or any of our third-party vendors were to experience an interruption, delay, or outage in service and availability, we may be unable to process new and renewals of subscriptions and our ability to process such subscription and credit card payments would be delayed while we activate an alternative billing platform. Although alternative third-party providers may be available to us, we may incur significant expenses and research and development efforts to deploy any alternative providers. To the extent there are disruptions in our billing systems or third-party subscription and payment processing systems, we could experience revenue loss, accounting issues, and harm to our reputation and customer relationships, which would adversely affect our business and results of operations.

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

- we pay interchange and other fees, which may increase over time and could require us to either increase the prices we charge for our products or experience an increase in our operating expenses;
- if our billing systems fail to work properly and the failure has an adverse effect on our customer satisfaction, causes credit and debit card issuers to disallow our continued use of their payment products, or, does not permit us to automatically charge our paying customers' credit and debit cards on a timely basis or at all, we could lose or experience a delay in collection of customer payments;
- if we are unable to maintain our chargeback rate at acceptable levels, we may face civil liability, diminished public perception of our security measures and our credit card fees for chargeback transactions or our fees for other credit and debit card transactions or issuers may increase, or issuers may terminate their relationship with us; and
- we could be significantly impaired in our ability to operate our business if we lose our ability to process payments on any major credit or debit card.

A significant portion of our operations is located outside of the United States, which subjects us to additional risks, including increased complexity, the costs of managing international operations, geopolitical instability, and fluctuations in currency exchange rates.

The design and development of our products is primarily conducted by our subsidiaries in the Czech Republic, Cyprus, Spain, Serbia, Armenia, Germany, the Netherlands, and Poland. We also have marketing and administrative operations in the same jurisdictions. In addition, members of our sales force are located in Europe, the United Kingdom, and Asia. Approximately 53% and 53% of our revenue for the year ended December 31, 2022 and for the six months ended June 30, 2023, respectively, was generated from sales to paying customers located outside the United States including indirect sales through our resellers outside of the United States. As a result of our international operations and sales efforts, we face numerous challenges and risks that could harm our international operations, delay new product releases, increase our operating costs, and hinder our ability to grow and detect underlying trends in our operations and business, and consequently adversely impact our business, financial condition, and results of operations. Such risks include but are not limited to the following:

- geopolitical and economic instability in and impacting the localities where we have foreign operations;
- rising inflation impacting the stability of our workforce and foreign operations;

- military conflicts impacting the localities where we have foreign operations;
- limited protection for, and vulnerability to theft of, our intellectual property rights, including our trade secrets;
- compliance with local laws and regulations, and unanticipated changes in local laws and regulations, including tax laws and regulations;
- trade and foreign exchange restrictions and higher tariffs;
- the complexity of managing international trade sanctions and export restrictions imposed by the United States government and other jurisdictions in which we have foreign operations;
- fluctuations in foreign currency exchange rates which may make our premium subscriptions more expensive for international paying customers and which may increase our expenses for employee compensation and other operating expenses that are paid in currencies other than U.S. dollars;
- difficulties in staffing international operations;
- changes in immigration policies which may impact our ability to hire personnel;
- differing employment practices, laws, and labor relations; and
- regional health issues and the impact of public health epidemics and pandemics on employees and the global economy, such as the COVID-19 pandemic.

Further, it is possible that governments of one or more foreign countries may seek to limit access to the internet or our platform, products or certain features in their countries, or impose other restrictions that may affect the availability of our platform, products, or certain features in their countries for an extended period of time or indefinitely. For example, China is among a number of countries that have blocked certain online services, including Amazon Web Services, making it difficult for such services to access those markets. In addition, governments in certain countries may seek to restrict or prohibit access to our platform if they consider us to be in violation of their laws (including privacy laws) and may require us to disclose or provide access to information in our possession. If we fail to anticipate developments in the law or fail for any reason to comply with relevant laws, our platforms could be further blocked or restricted and we could be exposed to significant liability that could harm our business. In the event that access to our platform is restricted, in whole or in part, in one or more countries or our competitors are able to successfully penetrate geographic markets that we cannot access, our ability to acquire new customers or renew or grow the premium subscriptions of existing paying customers may be adversely affected, we may not be able to maintain or grow our revenue as anticipated and our business, results of operations, and financial condition could be adversely affected.

Adverse or weakened general economic and market conditions may reduce spending on sales and marketing technology and information technology, which could harm our revenue, results of operations, and cash flows.

Our revenue, results of operations, and cash flows depend on the overall demand for and use of technology and information for sales and marketing, which depends in part on the amount of spending allocated by our paying customers or potential paying customers on sales and marketing technology and information. In addition to the internal strategy of our paying customers, which is not predictable and is subject to change, this spending depends on worldwide economic and geopolitical conditions. As we continue to see increased economic uncertainty in the United States and abroad, we may see customers, especially SMBs that are disproportionately impacted by these conditions, reduce or stop

spending on our products. Specifically, most of our paying customers are on month-to-month premium subscriptions that can be cancelled at any time.

Furthermore, the spending patterns of the SMBs that make up a large portion of our paying customer base are difficult to predict and are typically more susceptible to the adverse effects of economic fluctuations. Adverse changes in the economic environment or business failures of our SMB customers may have a greater impact on us than our competitors who do not focus on SMBs to the extent that we do.

As we acquire and invest in companies or technologies, we may not realize expected business or financial benefits and the acquisitions or investments could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our business, results of operations, and financial condition.

As part of our business strategy, we evaluate and may make investments in, or acquisitions of, complementary companies, services, databases, and technologies, and we expect that we will continue to evaluate and pursue such investments and acquisitions in the future to further grow and augment our business, our platform, and product offerings. For example, in August 2020, we acquired Prowly, an advertising and public relations technology company based in Poland. We have incurred and will continue to incur costs to integrate Prowly's business and selling process into our business and to integrate Prowly's products into our platform, such as software integration expenses and costs related to the renegotiation of redundant vendor agreements, and we expect to incur similar costs to integrate future acquisitions. We may have difficulty effectively integrating the personnel, businesses, and technologies of these acquisitions into our company and platform, and achieving the strategic goals of those acquisitions.

We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Acquired assets, data, or companies may not be successfully integrated into our operations, costs in connection with acquisitions and integrations may be higher than expected, and we may also incur unanticipated acquisition-related costs or liabilities. These costs or liabilities could adversely affect our financial condition, results of operations, or prospects. Any acquisition we complete could be viewed negatively by customers, users, developers, and other employees, partners, or investors, and could have adverse effects on our existing business relationships and company culture.

In addition, to facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, may affect our ability to complete subsequent acquisitions or investments and may affect the risks of owning our Class A common stock. For example, if we finance acquisitions by issuing equity or convertible debt securities or loans, our existing stockholders may be diluted, or we could face constraints related to the terms of, and repayment obligations related to, the incurrence of indebtedness that could affect the market price of our Class A common stock.

Our debt obligations contain restrictions that impact our business and expose us to risks that could adversely affect our liquidity and financial condition.

On January 12, 2021, we executed a credit agreement with JPMorgan Chase Bank, N.A., in the form of a revolving credit facility that consists of a \$45.0 million revolving credit facility and a letter of credit sub-facility with an aggregate limit equal to the lesser of \$5.0 million and the aggregate unused amount of the revolving commitments then in effect. The amount of borrowings permitted at any one time under the revolving credit facility is subject to a borrowing base based on an advance rate of 400% multiplied by annualized retention applied to monthly recurring revenue. As a result, our access to the revolving credit facility is potentially subject to significant fluctuations depending on the value of the borrowing base as of any measurement date.

The credit agreement (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") governing our revolving credit facility (collectively, our "credit facility") contains various covenants that are operative so long as our credit facility remains outstanding. The covenants, among other things, limit our and certain of our subsidiaries' abilities to:

- incur additional indebtedness or guarantee indebtedness of others;
- create additional liens on our assets;
- pay dividends and make other distributions on our capital stock, and redeem and repurchase our capital stock;
- make investments, including acquisitions;
- make capital expenditures;
- enter into mergers or consolidations or sell assets;
- sell our subsidiaries; or
- enter into transactions with affiliates.

Our credit facility also contains numerous affirmative covenants and a financial covenant of either minimum liquidity or a maximum leverage ratio.

If we experience a decline in cash flow due to any of the factors described in this Item 1A. Risk Factors or otherwise, we could have difficulty paying interest due on our indebtedness and meeting the financial covenants set forth in our credit facility. If we fail to comply with the various requirements of our indebtedness, we could default under our credit facility. Any such default that is not cured or waived could result in an acceleration of indebtedness then outstanding under our credit facility, an increase in the applicable interest rates under our credit facility, and a requirement that Semrush, Inc., which is a co-borrower under the facility, pay the obligations in full, and would permit the lenders to exercise remedies with respect to all of the collateral that is securing our credit facility, including substantially all of our and Semrush, Inc.'s assets. Thus, any such default could have a material adverse effect on our liquidity and financial condition.

Forecasts of our market and market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, there can be no assurance that our business will grow at similar rates, or at all.

Growth forecasts that we have provided and may in the future provide relating to our market opportunities and the expected growth thereof are subject to significant uncertainty and are based on assumptions and estimates which may prove to be inaccurate. Even if these markets grow at the forecasted rates, we may not grow our business at a similar rate, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth that we have provided and may in the future provide should not be taken as indicative of our future growth.

We may be subject to litigation for any of a variety of claims, which could harm our reputation and adversely affect our business, results of operations, and financial condition.

In the ordinary course of business, we may be involved in and subject to litigation for a variety of claims or disputes and receive regulatory inquiries. These claims, lawsuits, and proceedings could include labor and employment, wage and hour, income tax, commercial, data privacy, antitrust, alleged securities

law violations or other investor claims, and other matters. The number and significance of these potential claims and disputes may increase as our business expands. Any claim against us, regardless of its merit, could be costly, divert management's attention and operational resources, and harm our reputation. As litigation is inherently unpredictable, we cannot assure you that any potential claims or disputes will not have a material adverse effect on our business, results of operations, and financial condition. Any claims or litigation, even if fully indemnified or insured, could make it more difficult to compete effectively or to obtain adequate insurance in the future.

In addition, we may be required to spend significant resources to monitor and protect our contractual, intellectual property, and other rights, including collection of payments and fees. Litigation has been and may be necessary in the future to enforce such rights. Such litigation could be costly, time consuming, and distracting to management and could result in the impairment or loss of our rights. Furthermore, our efforts to enforce our rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of such rights. Our inability to protect our rights, as well as any costly litigation or diversion of our management's attention and resources, could have an adverse effect on our business, results of operations, and financial condition or harm our reputation.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our results of operations.

We may require additional financing, and we may not be able to obtain debt or equity financing on favorable terms, if at all. Any debt financing obtained by us could involve restrictive covenants relating to financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could experience significant dilution, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our Class A common stock. The terms of any debt financing may include liquidity requirements, restrict our ability to pay dividends, and require us to comply with other covenants restrictions. If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things:

- develop new features, integrations, capabilities, and enhancements;
- continue to expand our product and development, and sales and marketing teams;
- hire, train, and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition opportunities.

Our ability to utilize our net operating loss carryforwards may be limited.

As of December 31, 2022, we had U.S. federal and state net operating loss carryforwards of approximately \$28.6 million and \$15.7 million, respectively. Our ability to utilize our federal net operating loss carryforwards may be limited under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The limitations apply if we experience an "ownership change," which is generally defined as a greater than 50 percentage point change (by value) in the ownership of our equity by certain stockholders over a rolling three-year period. Similar provisions of state tax law may also apply to limit the use of our state net operating loss carryforwards. Future changes in our stock ownership, which may be outside of our control, may trigger an ownership change and, consequently, the limitations under Section 382 of the Code. As a result, if or when we earn net taxable income, our ability to use our pre-change net

operating loss carryforwards to offset such taxable income may be subject to limitations, which could adversely affect our future cash flows.

Increases in labor costs, including wages, and an overall tightening of the labor market, could adversely affect our business, results of operations or financial condition.

The labor costs associated with our business are subject to several external factors, including unemployment levels and the quality and the size of the labor market, prevailing wage rates, minimum wage laws, wages and other forms of remuneration and benefits offered to prospective employees by competitor employers, potential collective bargaining arrangements, health insurance costs and other insurance costs and changes in employment and labor legislation or other workplace regulation. From time to time, the labor market becomes increasingly competitive. Although we have not experienced any material labor shortage to date, we have observed an overall tightening and increasingly competitive labor market and have recently experienced and expect to continue to experience some labor cost pressures. Furthermore, we have recently experienced costs and operational complexities with relocating personnel out of Russia. Any of these factors or events, if not mitigated, could negatively impact us, for example by increasing our labor costs, making it more difficult to acquire and retain talent, creating customer service issues, or requiring us to increase our prices, the result of which could have an adverse effect on our business, results of operations or financial condition.

Our business would be adversely affected if our contract workers were classified as employees.

A significant portion of our workforce consists of contractors. The classification of contractors is being challenged across many industries by courts, by legislatures, by government agencies in the United States and abroad, as well as by the contractors themselves. Though we are not currently involved in any material legal disputes regarding contractor work, a determination in, or settlement of, any legal proceeding that results in the reclassification of contractors as employees could cause harm to our business, financial condition and results of operations, including as a result of, monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages and wage and hour laws and requirements (such as those pertaining to failure to pay minimum wage and overtime, or to provide required breaks and wage statements), expense reimbursement, litigation costs, statutory and punitive damages, penalties, or other regulatory restrictions on our business.

We could be required to collect additional sales and other similar taxes or be subject to other tax liabilities that may increase the costs our customers would have to pay for our subscriptions and adversely affect our operating results.

Sales and use, value-added, goods and services, and similar tax laws and rates are complicated and vary greatly by jurisdiction. There is significant uncertainty as to what constitutes sufficient nexus for a national, state or local jurisdiction to levy taxes, fees, and surcharges for sales made over the internet, as well as whether our subscriptions are subject to tax in various jurisdictions. Certain countries and the vast majority of states have considered or adopted laws that impose tax collection obligations on out-of-state companies. Additionally, online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's nation or state, and nations, states, or local governments may enforce laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. We have not always collected sales and other similar taxes in all jurisdictions in which we are required to. We may be obligated to collect and remit sales tax in jurisdictions in which we have not previously collected and remitted sales tax. We could also be subject to audits in states and non-U.S. jurisdictions for which we have not accrued tax liabilities. A successful assertion by one or more countries or states requiring us to collect taxes where we historically have not or presently do not do so could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by national, state or local governments of sales tax collection obligations on out-of-state sellers could also create additional

administrative burdens for us and decrease our future sales, which could adversely affect our business and operating results.

Risks Related to the Regulatory Framework that Governs Us

If the use of cookies or other tracking technologies becomes subject to unfavorable legislation or regulation, is restricted by internet users or other third parties or is blocked or limited by users or by technical changes on end users' devices, our ability to attract new customers, convert traffic to paying customers and to develop and provide certain products could be diminished or eliminated.

We rely on cookies and other technologies, such as web beacons (collectively, "cookies") which are placed on internet browsers to gather data regarding the content of a user's web browsing activity. We use cookies to store users' settings between sessions and to enable visitors to our website to use certain features, such as gaining access to secure areas of the website. We also use cookies, including cookies placed by third-party services with which we integrate, to enable us to gather statistics about our visitors' use of our website and to allow our website visitors to connect our platform to their social networking sites, which enables us to advertise our products to them using retargeting methods. The availability of this data may be limited by numerous potential factors, including government legislation or regulation restricting the use of cookies for certain purposes, such as retargeting, browser limitations on the collection or use of cookies, or internet users deleting or blocking cookies on their web browsers or on our website.

Our ability, like those of other technology companies, to collect, augment, analyze, use, and share information collected through the use of third-party cookies for online behavioral advertising is governed by U.S. and foreign laws and regulations which change from time to time, such as those regulating the level of consumer notice and consent required before a company can employ cookies to collect data about interactions with users online. In the United States, both state and federal legislation govern activities such as the collection and use of data, and privacy in the advertising technology industry has frequently been subject to review, and occasional enforcement, by the Federal Trade Commission (the "FTC"), U.S. Congress, and individual states. Our use of online tracking technologies are regulated by the CCPA and other state privacy laws that require companies to offer consumers the right to opt out of certain tracking activities.

As our business is global, our activities are also subject to foreign legislation and regulation. In the EU, the EU Directive 2002/58/EC (as amended by Directive 2009/136/EC), commonly referred to as the e-Privacy Directive, and related implementing legislation in the EU member states, and in the UK, the Privacy and Electronic Communications (EC Directive) Regulations 2003, require that accessing or storing information on an internet user's device, such as through a cookie, is allowed only if the internet user has been informed thereof, and provided prior unambiguous, specific, and informed consent for the placement of a cookie on a user's device. A new e-Privacy Regulation is currently under discussion by EU member states to replace the e-Privacy Directive. Although it remains under debate, the proposed e-Privacy Regulation would amend rules on third-party cookies and significantly increase penalties for non-compliance. We cannot yet determine the impact such future laws, regulations, and standards may have on our use of third-party cookies. Additionally, the use of third-party cookies in the digital advertising ecosystem, particularly in the context of real-time bidding advertising auctions, is subject to increased regulatory scrutiny in the EU and the UK. Several European data protection authorities (including in Belgium, Ireland, UK, Poland, Spain, Luxembourg, and the Netherlands) have launched investigations or inquiries over Google's and other AdTech companies' practices concerning the collection and sharing of consumer data through cookies, the outcome of which is still uncertain. These investigations or inquiries could result in the imposition of more stringent standards around consent to place cookies or otherwise restrict the use of third-party cookies for online behavioral advertising. We have also received inquiries from, and engaged in correspondence with, European data protection authorities regarding our practices regarding cookies used on our websites, and the outcome of these inquiries is still uncertain.

Additionally, new and expanding “Do Not Track” regulations have been enacted or proposed that protect users' right to choose whether or not to be tracked online. These regulations seek, among other things, to allow end users to have greater control over the use of private information collected online, to forbid the collection or use of online information, to demand a business to comply with their choice to opt out of such collection or use, and to place limits upon the disclosure of information to third-party websites.

Continued regulation of cookies, and changes in the interpretation and enforcement of existing laws, regulations, standards, and other obligations, as well as increased enforcement by industry groups or data protection authorities, could restrict our activities, such as efforts to understand users' internet usage and engage in marketing activities, or require changes to our practices. Any inability to obtain information through cookies or to obtain it on the terms we anticipate, could negatively impact the operation of our platform, impair our ability to target and attract new customers, and reduce our ability to predict our customers' interests in or need for one or more of our products, any of which may cause a reduction in revenue, or a reduction in revenue growth or negatively impact our ability to obtain new subscriptions and retain or grow the subscriptions of existing customers.

Additionally, cookies may easily be deleted or blocked by internet users. All of the most commonly used internet browsers (including Chrome, Firefox, Internet Explorer, and Safari) allow internet users to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Some internet users also download “ad blocking” software that prevents cookies from being stored on a user's device. If more internet users adopt these settings or delete their cookies more frequently than they currently do, our business could be harmed. In addition, the Safari and Firefox browsers block third-party cookies by default, and other browsers may do so in the future. Unless such default settings in browsers were altered by internet users to permit the placement of third-party cookies, fewer cookies would be available, which could adversely affect our business. In addition, companies such as Google LLC have publicly disclosed their intention to move away from cookies to another form of persistent unique identifier (“ID”) to identify individual internet users or internet-connected devices in the bidding process on advertising exchanges. If companies do not use shared IDs across the entire ecosystem, this could have a negative impact on our ability to obtain content consumption data.

Changes in laws, regulations, and public perception concerning data protection and privacy, or changes in the interpretation or patterns of enforcement of existing laws and regulations, could impair our efforts to maintain and expand our customer base or the ability of our customers and users to use our platform and some or all of our products. Breaches of laws and regulations concerning data protection and privacy could expose us to significant fines and other penalties.

We hold personal data about a variety of individuals, such as our customers, users, employees, contractors, and business partners, and we use such personal data as needed to collect payment from our customers, communicate with and recommend products to our customers and prospective customers through our marketing and advertising efforts, and comply with legal obligations. Processing of personal data is increasingly subject to legislation and regulation in numerous jurisdictions around the world.

For example, relevant applicable laws and regulations governing the collection, use, disclosure, security or other processing of personal information include, in the United States, rules and regulations promulgated under the authority of the Federal Trade Commission, the CCPA and similar state privacy laws, and state breach notification laws. The CCPA, for example, broadly defines personal information and provides an expansive meaning to activity considered to be a sale of personal information, and gives California residents expanded privacy rights and protections, including the right to opt out of the sale or sharing of personal information. The CCPA also provides for civil penalties for violations and a private right of action for certain data breaches involving personal information, which is expected to increase the likelihood of, and risks associated with, data breach litigation. The California Privacy Rights Act (“CPRA”), which became effective on January 1, 2023, imposes additional obligations on companies covered by the legislation and significantly modifies the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information and establishes a state agency vested with the authority to enforce

the CCPA. It is not yet fully clear how the CCPA (as amended by the CPRA) will be enforced and how it will be interpreted. Additionally, comprehensive privacy laws akin to the CCPA are in effect in Virginia, Colorado and Connecticut and have been passed and will be coming into force in Montana, Texas, Iowa, Indiana, Tennessee and Utah. While these new state laws incorporate many similar concepts, there are also several key differences in the scope, application, and enforcement of the laws that will change the operational practices of regulated businesses. The new laws will, among other things, impact how regulated businesses collect and process personal sensitive data, conduct data protection assessments, transfer personal data to affiliates, and respond to consumer rights requests. Furthermore, a number of other U.S. states have proposed similar privacy and data protection legislation, and it is quite possible that certain of these proposals will pass. The effects of the CCPA and other similar state or federal laws are potentially significant and may require us to modify our data collection or data processing practices and policies, and to incur substantial costs and potential liability in an effort to comply with such legislation.

We maintain offices in the EU (including Cyprus, the Czech Republic, Germany, the Netherlands, Poland, and Spain), and we have customers in the EU and the UK. Accordingly, we are subject to the General Data Protection Regulation (EU) 2016/679 (the "EU GDPR"), and related member state implementing legislation. As of January 1, 2021, the UK's European Union (Withdrawal) Act 2018 incorporated the EU GDPR (as it existed on December 31, 2020 but subject to certain UK-specific amendments) into UK law (the "UK GDPR"). The EU GDPR and UK GDPR are collectively defined herein as "European Data Protection Law". European Data Protection Law places obligations on controllers and processors of personal data, while establishing rights for individuals with respect to their personal data, including rights of access and deletion in certain circumstances. European Data Protection Law is also explicitly extraterritorial in its application, and could affect our business activities in jurisdictions outside the EU and the UK.

We have implemented measures designed to comply with the requirements of European Data Protection Law. In respect of these measures, we rely on positions and interpretations of the law (including European Data Protection Law) that have yet to be fully tested before the relevant courts and regulators. If a regulator or court of competent jurisdiction determined that one or more of our compliance efforts does not satisfy the applicable requirements of the law (including European Data Protection Law), or if any party brought a claim in this regard, we could be subject to governmental or regulatory investigations, enforcement actions, regulatory fines, compliance orders, litigation or public statements against us by consumer advocacy groups or others, any of which could cause customers to lose trust in us or otherwise damage our reputation. Likewise, a change in guidance could be costly and have an adverse effect on our business.

European Data Protection Law also imposes strict rules on the transfer of personal data out of the EU/UK to third countries deemed to lack adequate privacy protections (including the United States), unless an appropriate safeguard specified by the European Data Protection Law is implemented, such as the Standard Contractual Clauses ("SCCs") approved by the European Commission, or a derogation applies. We rely on SCCs and certain derogations to transfer personal data from the EU and the UK to the United States. On July 16, 2020, the Court of Justice of the EU (the "CJEU") in its Schrems II decision ruled that transfers made pursuant to the SCCs and other alternative transfer mechanisms need to be analyzed on a case-by-case basis to ensure EU standards of data protection are met in the jurisdiction where the data importer is based. If the standard is not met, businesses will be required to adopt supplementary measures. On June 4, 2021, the European Commission published new versions of the SCCs ("New SCCs"), to align with the EU GDPR and to address the issues identified by the CJEU's Schrems II decision. The UK Information Commissioner's Office has published its own form of standard contractual clauses, referred to as the "International Data Transfer Agreement" for the purposes of data transfers out of the UK. We and many other companies may need to implement different or additional measures to establish or maintain legitimate means for the transfer of personal data from Europe and the UK to the United States and other third countries, and we may, in addition to other impacts, experience additional costs associated with increased compliance burdens. European or multi-national customers

may refuse or be reluctant to use or continue to use our platform or products as a result of such developments until law makers and regulators in the EU and the United States have resolved the issues that instigated the decision of the CJEU noted above. This and other future developments regarding the flow of data across borders could increase the cost and complexity of delivering our platform and products in some markets and may lead to governmental enforcement actions, litigation, fines, and penalties or adverse publicity, which could have an adverse effect on our reputation and business. In addition, the UK has announced plans to reform the country's data protection legal framework in its Data Reform Bill, which will introduce significant changes from the EU GDPR. This may lead to additional compliance costs and could increase our overall risk exposure as we may no longer be able to take a unified approach across the EU and the UK, and will need to amend our processes and procedures to align with the new framework.

We may find it necessary or advantageous to join industry bodies, or self-regulatory organizations, that impose stricter compliance requirements than those set out in applicable laws, including European Data Protection Law. We may also be bound by contractual restrictions that prevent us from participating in data processing activities that would otherwise be permissible under applicable laws, including European Data Protection Law. Such strategic choices may impact our ability to exploit data and may have an adverse impact on our business.

As we previously maintained offices in Russia, we face particular privacy, data security, and data protection risks in connection with requirements of Russia's data protection and security laws, including Federal Law of 21 July 2014 No. 242-FZ, which entered into effect September 1, 2015, Federal Law of 27 July 2006 No. 152-FZ (as amended) and Federal Law of 27 July 2006 No. 149-FZ (as amended). Among other stringent requirements, these laws require ensuring that certain operations on personal data of Russian citizens are conducted in database(s) located in Russia.

We expect that there will continue to be new proposed laws, regulations, and industry standards concerning privacy, data protection, and information security in the United States, the EU, the UK, and other jurisdictions, and we cannot yet determine the impact such future laws, regulations, and standards may have on our business.

These and other legal requirements could require us to make additional changes to our platform or products in order for us or our customers to comply with such legal requirements or reduce our ability to lawfully collect personal data used in our platform and products. These changes could reduce demand for our platform or products, require us to take on more onerous obligations in our contracts, restrict our ability to store, transfer, and process personal data or, in some cases, impact our ability or our customers' ability to offer our products in certain locations, to deploy our solutions, to reach current and prospective customers, or to derive insights from data globally.

The costs of complying with existing or new data privacy or data protection laws and regulations, regulatory guidance, our privacy policies and contractual obligations to customers, users, or other third parties, may limit the use and adoption of our platform and products, reduce overall demand for our products, make it more difficult for us to meet expectations from or commitments to customers and users, lead to significant fines, penalties, or liabilities for noncompliance, impact our reputation, or slow the pace at which we close sales transactions, any of which could harm our business.

Furthermore, the uncertain and shifting regulatory environment and trust climate may cause concerns regarding data privacy and may cause our vendors, customers and users to resist providing the data necessary to allow us to offer our platform and products to our customers and users effectively, or could prompt individuals to opt out of our collection of their personal data. Even the perception that the privacy of personal data is not satisfactorily protected or does not meet regulatory requirements could discourage prospective customers from subscribing to our products or discourage current customers from renewing their subscriptions.

Compliance with any of the foregoing laws and regulations can be costly and can delay or impede the development of new products. We may incur substantial fines if we violate any laws or regulations relating to the collection or use of personal data. For example, the European Data Protection Law imposes sanctions for violations up to the greater of €20 million (£17.5 million) and 4% of worldwide gross annual revenue, enables individuals to claim damages resulting from infringement of the European Data Protection Law and introduces the right for non-profit organizations to bring claims on behalf of data subjects. The CCPA allows for fines of up to \$7,500 for each violation. Non-compliance with Russian data localization rules may result in imposition of an administrative fine of up to RUB 18 million, or approximately \$240,000, for each violation. Our actual or alleged failure to comply with applicable privacy or data security laws, regulations, and policies, or to protect personal data, could result in enforcement actions and significant penalties against us, which could result in negative publicity or costs, subject us to claims or other remedies, and have a material adverse effect on our business, financial condition, and results of operations.

Many aspects of data protection and privacy laws are relatively new and their scope has not been tested in the courts. As a result, these laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our interpretations and existing data management practices or the features of our products. Certain of our activities could be found by a court, government or regulatory authority to be noncompliant or become noncompliant in the future with one or more data protection or data privacy laws, even if we have implemented and maintained a strategy that we believe to be compliant. Further, we may be subject to additional risks associated with data security breaches or other incidents, in particular because certain data privacy laws, including European Data Protection Law and the CCPA, grant individuals a private right of action arising from certain data security incidents. If so, in addition to the possibility of fines, lawsuits, and other claims and penalties, we could be required to fundamentally change our business activities and practices or modify our products, which could harm our business.

We also receive personal data from third-party vendors (e.g., data brokers). We may not be able to verify with complete certainty the source of such data, how it was collected, and that such data was collected and is being shared with us in compliance with all applicable data protection and privacy laws. Our use of personal data obtained from third-party vendors could result in potential regulatory investigations, fines, penalties, compliance orders, liability, litigation, and remediation costs, as well as reputational harm, any of which could materially adversely affect our business and financial results. The requirements of European Data Protection Law pertaining to the licensing of data or obtaining such data from third parties are not entirely clear in all cases. It is possible that third parties may bring claims against us, alleging non-compliance with such requirements, and seeking damages, seeking to prevent us from using certain data, or seeking to prevent us from using data in particular ways. Such claims could potentially adversely affect our ability to provide our services and the current level of functionality of our platform in such circumstances, which could adversely affect our results of operations.

Changes in legislation or requirements related to automatically renewing subscription plans, or our failure to comply with existing or future regulations, may adversely impact our business.

Our business relies heavily on the fact that customers enter subscription contracts where they agree that the subscription will automatically renew for a new term, and their credit or debit cards will automatically be charged on an ongoing basis, unless the subscription is canceled by the customer. Some states have passed or considered legislation limiting the duration for which subscriptions can automatically renew, if at all.

Although this enacted and proposed legislation generally would not affect companies that sell subscriptions to other companies, like ours does, there could be variances and inconsistencies in these rules or requirements among jurisdictions that expose us to compliance risks that would have a material adverse effect on our business operations and financial condition, and could result in fines, penalties,

damages, civil liability, and higher transaction fees. In addition, any costs that result from future legislation and regulations, or from changes in the interpretation of existing legislation and regulations, could individually or in the aggregate cause us to change or limit our business practices, which may make our subscription business model less attractive.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our platform and could harm our business.

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communication, and business applications. Federal, state, or foreign governmental bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. The adoption of any laws or regulations that could reduce the growth or use of the internet, including laws or practices limiting internet neutrality, could decrease the demand for, or the usage of, our platform and products, increase our cost of doing business, require us to modify our platform or financial systems, and may harm our results of operations. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees, or other charges for accessing the internet or commerce conducted via the internet, which could limit the growth of internet-related commerce or communications generally, result in higher prices for our products and platform, or result in reduced demand for internet-based products such as ours.

As the internet continues to experience growth in the number of users, frequency of use, and amount of data transmitted, the internet infrastructure that we and our customers rely on may be unable to support the demands placed upon it. In addition, there could be adverse effects from delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility, and quality of service. Further, our platform depends on the quality of our customers' access to the internet. The failure of the internet infrastructure that we or our customers rely on, even for a short period of time, could undermine our operations and harm our results of operations.

Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt, or increase the cost of customer access to our platform, any of which would negatively impact our business. On June 11, 2018, the repeal of the Federal Communications Commission's (the "FCC"), "net neutrality" rules took effect and returned to a "light-touch" regulatory framework. The prior rules were designed to ensure that all online content is treated the same by internet service providers and other companies that provide broadband services. Additionally, on September 30, 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018, making California the fourth state to enact a state-level net neutrality law since the FCC repealed its nationwide regulations, mandating that all broadband services in California must be provided in accordance with state net neutrality requirements. The U.S. Department of Justice has sued to block the law going into effect, and California has agreed to delay enforcement until the resolution of the FCC's repeal of the federal rules. A number of other states are considering legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether the FCC order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal legislation or the FCC. With the repeal of net neutrality rules, network operators may choose to implement usage-based pricing, discount pricing charged to providers of competitive products, otherwise materially change their pricing rates or schemes, charge us to deliver our traffic or throttle its delivery, implement bandwidth caps or other usage restrictions or otherwise try to monetize or control access to their networks, any of which could increase our costs, or those of our customers in accessing our platform, and negatively impact our business and results of operations.

Federal, state, and foreign laws regulate internet tracking software, the sending of commercial emails and text messages, and other activities, which could impact the use of our platform and products, and potentially subject us to regulatory enforcement or private litigation.

We are subject to laws and regulations that govern sending marketing and advertising by electronic means, such as email and telephone. For example, in the United States, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the “CAN-SPAM Act”), among other things, obligates the sender of commercial emails to provide recipients with the ability to opt out of receiving future commercial emails from the sender. In addition, the Telephone Consumer Protection Act (the “TCPA”) imposes certain notice, consent, and opt-out obligations on companies that send telephone or text communications using automatic telephone dialing systems, or artificial or prerecorded voice to consumers, and provides consumers with private rights of action for violations. The FCC and the FTC have responsibility for regulating various aspects of these laws. Among other requirements, the TCPA requires us to obtain prior express written consent for certain telemarketing calls. Many states have similar consumer protection laws regulating telemarketing. These laws limit our ability to communicate with consumers and reduce the effectiveness of our marketing programs. The TCPA does not currently distinguish between voice and data, and, as such, SMS/MMS messages are also “calls” for the purpose of TCPA obligations and restrictions. For violations of the TCPA, the law provides for a private right of action under which a plaintiff may recover monetary damages of \$500 for each call or text made in violation of the prohibitions on calls made using an “artificial or pre-recorded voice” or an automatic telephone dialing system. Various state law equivalents of the TCPA may also provide for monetary damages in amounts greater than those provided for under the TCPA. A court may also treble the amount of damages upon a finding of a “willful or knowing” violation. There is no statutory cap on maximum aggregate exposure. An action may be brought by the FCC, a state attorney general, an individual, or a class of individuals. If in the future we are found to have violated the TCPA, or a state law equivalent, the amount of damages and potential liability could be extensive and adversely impact our business. Accordingly, were such a class certified or if we are unable to successfully defend such a suit, then TCPA or other state law damages could have a material adverse effect on our results of operations and financial condition.

Further, certain states and foreign jurisdictions, such as Australia, Canada, and the EU, have enacted laws that prohibit sending unsolicited marketing emails unless the recipient has provided its prior consent to receipt of such email, or in other words has “opted-in” to receiving it. A requirement that recipients opt into, or the ability of recipients to opt out of, receiving commercial emails may minimize the effectiveness of our marketing, which could adversely affect our ability to attract new customers or entice existing customers to upgrade their subscriptions.

We are required to comply with U.S. economic sanctions, export control and anti-corruption laws, and regulations that could impair our ability to compete in international markets or expose us to liability if we were to violate such laws and regulations.

We are required to comply with U.S. economic sanctions and export control laws and regulations that prohibit the provision of certain products and services to certain targeted countries, governments, and persons. We have adopted a company-wide Trade Compliance Policy and implemented certain precautions to prevent our platform and products from being exported or accessed in violation of U.S. export controls or U.S. sanctions laws and regulations. However, we cannot be certain that each of our employees will fully comply with the Trade Compliance Policy, nor can we be certain that the precautions we take will prevent all violations of these laws.

We have previously identified, and may continue to identify, customer accounts for our platform and products that may originate from, or are intended to benefit, persons in countries that are subject to U.S. embargoes, including transactions or events in or relating to Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine and the so-called Donetsk People’s Republic and Luhansk People’s Republic regions of Ukraine. In the second quarter of 2021, we submitted a voluntary self-disclosure and a final report to the

U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") regarding potential violations of OFAC regulations that may have involved the provision of services to customers in sanctioned countries. OFAC has decided not to pursue any enforcement action against us and the matter has been closed.

During the second quarter of 2022, we began a large-scale relocation effort of our Russia-based workforce to other jurisdictions. On August 3, 2022, we completed the sale of our two Russian subsidiaries, Semrush RU Ltd. and Semrush SM Ltd., in connection with the winding down of our operations in Russia. Our exit from Russia was substantially completed by December 31, 2022. See Note 10 "Exit Costs" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further detail on our wind down of our Russian operations. We believe the wind down of our operations in Russia has been and continues to be in compliance with new and evolving sanctions and export control laws, including Executive Order 14071, prohibiting, in part, new investment in Russia.

Furthermore, our efforts to comply with U.S. sanctions requirements may cause us to be in conflict with or violate new sanctions imposed by the Russian government in response to sanctions activities by other countries. Any such violations may adversely affect our operations or financial condition.

If we are found to be in violation of U.S. sanctions or export control laws, we may be fined or other penalties could be imposed. Furthermore, the laws and regulations concerning export control and economic sanctions are complex and constantly changing. Changes in export control or economic sanctions laws and enforcement could also result in increased compliance requirements and related costs, which could materially adversely affect our business, results of operations, financial condition, and/or cash flows.

We are also subject to various U.S. and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering, or providing improper payments or benefits to government officials and other recipients for improper purposes. Our exposure for violating these laws may increase as we continue to expand our international presence, and any failure to comply with such laws could harm our business.

Our internal controls over financial reporting currently do not meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act of 2002, as amended ("SOX"), and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of SOX could impair our ability to produce timely and accurate financial statements or comply with applicable regulations and have a material adverse effect on our business. In the future, our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

As a public company, we are subject to certain reporting requirements of the Exchange Act and have significant requirements for enhanced financial reporting and internal controls. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments, and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements, and harm our operating results. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only

reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

In addition, we are required, pursuant to Section 404 of the Sarbanes–Oxley Act of 2002, as amended (“SOX”), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in our Annual Report on Form 10-K. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. Testing and maintaining internal controls may divert management’s attention from other matters that are important to our business. As an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until our annual report for any fiscal year following such date that we are no longer an emerging growth company. If we are not able to complete our initial assessment of our internal controls and otherwise implement the requirements of Section 404 of SOX in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the adequacy of our internal controls over financial reporting. Additionally, when required, an independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to financial statement restatements and require us to incur the expense of remediation.

Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, which may result in a breach of the covenants under existing or future financing arrangements. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our consolidated financial statements. Confidence in the reliability of our consolidated financial statements also could suffer if we or our independent registered public accounting firm report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in the market price of our Class A common stock.

In connection with the preparation of our consolidated financial statements for the quarter ended September 30, 2022, we identified further material weaknesses in our internal control over financial reporting related to deficiencies in our controls over the financial statement close process and the cash disbursement process. Specifically, we identified deficiencies in the design and operation of internal controls over the period-end recognition and cutoff for certain expenses.

We have implemented, and are continuing to implement, measures designed to improve our internal control over financial reporting to remediate these material weaknesses. These measures include formalizing our processes and internal control documentation, strengthening supervisory reviews by our financial management, hiring additional qualified accounting and finance personnel, and engaging financial consultants to enable the implementation of internal control over financial reporting. Additionally, we are implementing certain accounting systems to upgrade our existing systems and to automate certain manual processes.

We expect to incur additional costs to remediate the control deficiencies identified, though there can be no assurance that our efforts will be successful or avoid potential future material weaknesses. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or if we identify any additional material weaknesses, the accuracy and timing of

our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting, and our stock price may decline as a result. We also could become subject to investigations by the New York Stock Exchange ("NYSE"), the SEC or other regulatory authorities.

Our internal resources and personnel may in the future be insufficient to avoid accounting errors and there can be no assurance that we will not have additional material weaknesses in the future. Any failure to develop or maintain effective controls or any difficulties encountered implementing required new or improved controls could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated 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, procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

Unanticipated changes in our effective tax rate and additional tax liabilities may impact our financial results.

We are subject to income taxes in the United States and various jurisdictions outside of the United States. Our income tax obligations are generally determined based on our business operations in these jurisdictions. Significant judgment is often required in the determination of our worldwide provision for income taxes. Our effective tax rate could be impacted by changes in the earnings and losses in countries with differing statutory tax rates, changes in non-deductible expenses, changes in excess tax benefits of stock-based compensation, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, effects from acquisitions, changes in accounting principles, and changes in tax laws in jurisdictions where we operate, such as Section 174 of the Code. Any changes, ambiguity, or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies, and positions could also materially impact our income tax liabilities.

As our business continues to grow and if we become more profitable, we anticipate that our income tax obligations could significantly increase. If our existing tax credits and net operating loss carry-forwards become fully utilized, we may be unable to offset or otherwise mitigate our tax obligations to the same extent as in prior years. This could have a material impact to our future cash flows or operating results.

In addition, recent global tax developments applicable to multinational companies, including certain approaches of addressing taxation of digital economy recently proposed or enacted by the Organisation for Economic Co-operation and Development, the European Commission or certain major jurisdictions where we operate or might in the future operate, might have a material impact to our business and future cash flow from operating activities, or future financial results. We are also subject to tax examinations in multiple jurisdictions. While we regularly evaluate new information that may change our judgment resulting in recognition, derecognition, or changes in measurement of a tax position taken, there can be no assurance that the final determination of any examinations will not have an adverse effect on our operating results and financial position. In addition, our operations may change, which may impact our tax liabilities. As our brand becomes increasingly recognizable both domestically and internationally, our tax planning structure and corresponding profile may be subject to increased scrutiny, and if we are perceived negatively, we may experience brand or reputational harm.

We may also be subject to additional tax liabilities and penalties due to changes in non-income based taxes resulting from changes in federal, state, or international tax laws, changes in taxing jurisdictions'

administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, and changes to the business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period. Any resulting increase in our tax obligation or cash taxes paid could adversely affect our cash flows and financial results.

Our international operations may subject us to greater than anticipated tax liabilities.

We are expanding our international operations to better support our growth into international markets. We are also hiring workers in several jurisdictions outside our local offices. 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 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 taxing 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 and we may be required to revise our intercompany agreements. Our consolidated financial statements could fail to reflect adequate reserves to cover such a contingency.

Risks Related to Our Intellectual Property

We may not be able to adequately protect our proprietary and intellectual property rights in our data or technology.

Our success is dependent, in part, upon protecting our proprietary information and technology. Our intellectual property portfolio primarily consists of registered and unregistered trademarks, unregistered copyrights, domain names, know-how, and trade secrets. We may be unsuccessful in adequately protecting our intellectual property. No assurance can be given that confidentiality, non-disclosure, or invention or copyright assignment agreements with employees, consultants, partners or other parties have been entered into, will not be breached, or will otherwise be effective in establishing our rights in intellectual property and in controlling access to and distribution of our platform, or certain aspects of our platform, and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our platform. Additionally, certain unauthorized use of our intellectual property may go undetected, or we may face legal or practical barriers to enforcing our legal rights even where unauthorized use is detected.

Current laws may not provide for adequate protection of our platform or data, especially in foreign jurisdictions which may have laws that provide insufficient protections to companies. Moreover, our exposure to unauthorized copying of certain aspects of our platform, or our data may increase. Further, competitors, foreign governments, foreign government-backed actors, criminals, or other third parties may gain unauthorized access to our proprietary information and technology. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our technology and intellectual property or claiming that we infringe upon or misappropriate their technology and intellectual property.

To protect our intellectual property rights, we may be required to spend significant resources to monitor, protect, and defend these rights, and we may or may not be able to detect infringement by our

customers or third parties. Litigation has been and may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Our inability to protect our 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 platform, impair the functionality of our platform, delay introductions of new features, integrations, and capabilities, result in our substituting inferior or more costly technologies into our platform, or injure our reputation.

If third parties claim that we infringe upon or otherwise violate their intellectual property rights, our business could be adversely affected.

We have in the past and may in the future be subject to claims that we have infringed or otherwise violated third parties' intellectual property rights. There is patent, copyright, and other intellectual property development and enforcement activity in our industry and relating to the technology we use in our business. Our future success depends in part on not infringing upon or otherwise violating the intellectual property rights of others. From time to time, our competitors or other third parties (including non-practicing entities and patent holding companies) may claim that we are infringing upon or otherwise violating their intellectual property rights, and we may be found to be infringing upon or otherwise violating such rights. In addition, we do not own any issued, nor do we have any pending patents, which limits our ability to deter patent infringement claims by competitors and other third parties who hold patents. We may be unaware of the intellectual property rights of others that may cover some or all of our current or future technology or conflict with our rights, and the patent, copyright, and other intellectual property rights of others may limit our ability to improve our technology and compete effectively. Any claims of intellectual property infringement or other intellectual property violations, even those without merit, could:

- be expensive and time consuming to defend;
- cause us to cease making, licensing or using our platform or products that incorporate the challenged intellectual property;
- require us to modify, redesign, reengineer or rebrand our platform or products, if feasible;
- divert management's attention and resources; or
- require us to enter into royalty or licensing agreements to obtain the right to use a third-party's intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us could result in our being required to pay significant damages, enter into costly settlement agreements, or prevent us from offering our platform or products, any of which could have a negative impact on our operating profits and harm our future prospects. We may also be obligated to indemnify our customers or business partners in connection with any such litigation and to obtain licenses, modify our platform or products, or refund premium subscription fees, which could further exhaust our resources. Such disputes could also disrupt our platform or products, adversely affecting our customer satisfaction and ability to attract customers.

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

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

software, and consequently to provide or distribute our platform and products. Although use of open source software has historically been free, recently several open source providers have begun to charge license fees for use of their software. If our current open source providers were to begin to charge for these licenses or increase their license fees significantly, we would have to choose between paying such license fees or incurring the expense to replace the open source software with other software or with our own software, which would increase our research and development costs, and have a negative impact on our results of operations and financial condition.

Additionally, we may from time to time face claims from third parties claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of source code for the open source software, derivative works or our proprietary source code that was developed using or that is distributed with such open source software. These claims could also result in litigation and could require us to make our proprietary software source code freely available, require us to devote additional research and development resources to change our platform or incur additional costs and expenses, any of which could result in reputational harm and would have a negative effect on our business and operating results. In addition, if the license terms for the open source software we utilize change, we may be forced to reengineer our platform or incur additional costs to comply with the changed license terms or to replace the affected open source software. Further, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software or indemnification for third-party infringement claims. Although we have implemented policies to regulate the use and incorporation of open source software into our platform and products, we cannot be certain that we have not incorporated open source software in our platform and products in a manner that is inconsistent with such policies.

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

Our agreements with resellers and other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons, or other liabilities relating to or arising from our platform, products or other acts or omissions. For some of our larger customers, we sometimes negotiate similar indemnification provisions or indemnification for breaches of our obligations, representations or warranties in the subscription agreement, gross negligence or willful misconduct, breaches of confidentiality, losses related to security incidents, breach of the data processing addendum or violations of applicable law. In some instances, the term of these contractual provisions survives the termination or expiration of the applicable agreement. Large indemnity payments or damage claims from contractual breach could harm our business, operating results, and financial condition.

From time to time, third parties may assert infringement claims against our customers or resellers. These claims may require us to initiate or defend protracted and costly litigation on behalf of customers and resellers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers and resellers or may be required to obtain licenses for the platform or products they use or resell or modify our platform or products. We may not be able to obtain all necessary licenses on commercially reasonable terms, or at all, or to make such modifications to avoid a claim, in which case our customers and resellers may be required to stop using or reselling our platform or products. Further, customers may require us to indemnify or otherwise be liable to them for breach of confidentiality or failure to implement adequate security measures with respect to their data stored, transmitted, or processed by our employees or platform. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other current and prospective customers, reduce demand for our platform or products, and harm our revenue, business, and operating results.

Risks Related to Ownership of Our Class A Common Stock

We are subject to costs, regulations and requirements as a result of being a public company, which could impair our profitability, make it more difficult to run our business, or divert management's attention from our business.

As a public company, and particularly after we are no longer an emerging growth company, we are required to commit significant resources, management time, and attention to the requirements of being a public company, which causes us to incur significant legal, accounting, and other expenses, including costs associated with public company reporting requirements, and recruiting and retaining independent directors. We also have incurred and will continue to incur costs associated with SOX and the Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented by the SEC and the NYSE, and compliance with these requirements will place significant demands on our legal, accounting, and finance staff and on our accounting, financial, and information systems. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. These rules and regulations may increase our legal and financial compliance costs and to make some activities more time-consuming and costly, and we are currently unable to estimate these costs with any degree of certainty. In addition, we might not be successful in implementing these requirements. These laws and regulations also could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors (the "Board") or Board committees or as our executive officers. Furthermore, if we are unable to continue to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions, and other regulatory action and potentially civil litigation.

An active public market for our Class A common stock may not be sustained and could be highly volatile, and you may not be able to resell your shares at or above your original purchase price, if at all. You may lose all or part of your investment.

We have a limited trading history. Since shares of our Class A common stock were sold in our initial public offering on March 24, 2021 at a price of \$14.00 per share, our stock price has ranged from \$7.16 to \$32.48 through June 30, 2023. If you purchase shares of our Class A common stock, you may not be able to resell those shares at or above the price you paid. The market prices of the securities of other newly public companies have historically been highly volatile. The market price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- variance in our results of operations from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in service provider relationships, acquisitions or expansion plans;
- changes in the prices of our products;
- our involvement in litigation;
- our sale of Class A common stock or other securities in the future;
- market conditions in our industry;

- changes in key personnel;
- the trading volume of our Class A common stock;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic and market conditions.

In addition, the stock markets have experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our Class A common stock, regardless of our results of operation. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. If we were involved in any similar litigation we could incur substantial costs, and our management's attention and resources could be diverted.

If you purchase shares of our Class A common stock, you may not be able to resell those shares at or above the price you originally paid. An active or liquid market in our Class A common stock may not be sustainable, which could adversely affect your ability to sell your shares and could depress the market price of our Class A common stock.

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

Our amended and restated certificate of incorporation authorizes us to issue up to 1,000,000,000 shares of Class A common stock and up to 100,000,000 shares of preferred stock with such rights and preferences as may be determined by our Board. Subject to compliance with applicable rules and regulations, we may issue our shares of Class A common stock or securities convertible into our Class A common stock from time to time in connection with a financing, acquisition, investment, our stock incentive plans or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our Class A common stock to decline.

If we do not meet the expectations of equity research analysts, if they do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our Class A common stock, the price of our Class A common stock could decline.

The trading market for our Class A common stock will depend in part on the research and reports that equity research analysts publish about us and our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If our results of operations are below the estimates or expectations of public market analysts and investors, our stock price could decline. Moreover, the price of our Class A common stock could decline if one or more securities analysts downgrade our Class A common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

We cannot predict the impact our dual structure may have on the market price of our Class A common stock.

We cannot determine whether our dual class structure, combined with the concentrated control of our stockholders who held our capital stock prior to the completion of our IPO, including our executive officers, employees, and directors and their affiliates, has resulted in or will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple class share structures in certain of their indices. In July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Under the announced policies, our dual class capital

structure would make us ineligible for inclusion in any of these indices. 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.

The dual 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, including our directors, executive officers, and their affiliates, who as of June 30, 2023 held in the aggregate 81% of the voting power of our capital stock, which will limit your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of June 30, 2023, our directors, executive officers, and their affiliates, held in the aggregate 81% of the voting power of our capital stock. Because of the ten-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore will be able to control all matters submitted to our stockholders for approval until the earlier of (a) March 24, 2028 (b) such time as the outstanding shares of Class B common stock represent less than ten percent of the aggregate number of shares of our outstanding common stock and (c) the date the holders of two-thirds of our Class B common stock elect to convert the Class B common stock to Class A common stock. This concentrated control may limit or preclude your ability 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 you may feel are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. 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 holders of Class B common stock who retain their shares in the long term.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, our credit facility places restrictions on our ability to pay cash dividends. Consequently, investors may need to rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our Class A common stock.

General Risk Factors

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

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

companies that comply with new or revised accounting pronouncements as of public company effective dates.

For as long as we continue to be an emerging growth company, we also intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements, and registration statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of \$1.07 billion or more, (ii) December 31, 2026, (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years, or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current Board, and limit the market price of our Class A common stock.

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

- provide that the authorized but unissued shares of our common stock and our preferred stock are available for future issuance without stockholder approval;
- provide that our Board is classified into three classes of directors with staggered three-year terms;
- permit the Board to establish the number of directors and fill any vacancies and newly created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and second amended and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our Board could use to implement a stockholder rights plan;
- provide that only the Chairperson of our Board, our Chief Executive Officer, or a majority of our Board will be authorized to call a special meeting of stockholders;
- provide for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;

- provide that the Board is expressly authorized to make, alter or repeal our bylaws; and
- advance notice requirements for nominations for election to our Board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our second amended and restated bylaws designate certain courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our second amended and restated bylaws provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any state law claim for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of or based on a fiduciary duty owed by any of our current or former directors, officers, or employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our second amended and restated bylaws (including the interpretation, validity or enforceability thereof) or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein, (the "Delaware Forum Provision"). The Delaware Forum Provision will not apply to any causes of action arising under the Securities Act or the Exchange Act. Our second amended and restated bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the "Federal Forum Provision"). In addition, our second amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provisions; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision in our second amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims, particularly if the stockholders do not reside in or near the State of Delaware. Additionally, the forum selection clauses in our second amended and restated bylaws may limit our stockholders' ability to bring a claim in a forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and employees even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court were "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware and the federal district courts of the United States may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

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

Recent Sales of Unregistered Securities

None.

Use of Proceeds From the IPO

On March 24, 2021, our Registration Statement on Form S-1 (File No. 333-253730) was declared effective by the SEC for our IPO. There has been no material change in the use of proceeds from our IPO as described in our Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 15, 2023.

Issuer Purchases of Equity Securities

None.

Item 5. Other Information

On May 15, 2023, Eugene Levin, our President, adopted a trading arrangement for the sale of our Class A common stock that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c) (a "Rule 10b5-1 Trading Plan"). Mr. Levin's Rule 10b5-1 Trading Plan, which commences on August 11, 2023 and ends on May 30, 2026, provides for the sale of up to 1,102,800 shares of our Class A common stock pursuant to the terms of the plan.

On June 13, 2023, Dmitry Melnikov, a member of our Board of Directors, adopted a Rule 10b5-1 Trading Plan. Mr. Melnikov's Rule 10b5-1 Trading Plan, which commences on October 22, 2023 and ends on November 30, 2024, provides for the sale of up to 500,000 shares of our Class A common stock pursuant to the terms of the plan.

Item 6. Exhibits

The exhibits listed below are filed or incorporated by reference in this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Title
3.1 (1)	Amended and Restated Certificate of Incorporation of the Registrant
3.2 (2)	Second Amended and Restated Bylaws of the Registrant
4.1 (3)	Form of Class A common stock certificate of the Registrant
10.1*#	Employment Contract, dated as of March 10, 2023, by and between Semrush B.V. and Vitalii Obishchenko
10.2(4)	Amendment No. 3 to Credit Agreement, dated as of June 30, 2023

31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1+	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page with Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibit 101)

(1) Filed as Exhibit 3.2 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 16, 2021, and incorporated herein by reference.

(2) Filed as Exhibit 3.2 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2022, and incorporated herein by reference.

(3) Filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 16, 2021, and incorporated herein by reference.

(4) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2023, and incorporated herein by reference.

* Filed herewith.

Indicates management contract or compensatory plan, contract, or agreement.

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

SIGNATURES

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

SEMRUSH HOLDINGS, INC.

August 3, 2023

By: /s/ Oleg Shchegolev
Oleg Shchegolev
Chief Executive Officer
(Principal Executive Officer)

August 3, 2023

By: /s/ Brian Mulroy
Brian Mulroy
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

SEMRUSH B.V.
Statement of Terms & Conditions of Employment

Contract of Employment

From: Semrush B.V. with a registered office at Prins Bernhardplein 200 1097JB Amsterdam duly represented in this matter by **Stephen Howard Owens, Director** (hereafter referred to as "the Company").

To: **Vitalii Obishchenko** (hereafter referred to as "you" and "the Employee").

1. Introduction

This contract sets out the principal terms and conditions applying to your employment with the Company as required by Section 7.655 of the Dutch Civil Code (BW).

2. Commencement of Employment

- 2.1 Your employment with the Company will be in force once you obtain the work and residence permit for the Netherlands. Your employment under this contract is for an **indefinite period**.
- 2.2 You as an employee declare that you are allowed to work in the Netherlands. This employment contract is concluded under the resolutive condition that the Employee is allowed to work in the Netherlands. The employment contract will terminate by operation of law as soon as it is established that the Employee is not or no longer allowed to work in the Netherlands.

3. Job Title

- 3.1 Your job title is **Chief Operating Officer (COO)** reporting to Oleg Shchegolev, CEO, in their capacity as your line manager and/or such person as may be authorised by the Company and notified to you. Your main duties are as set out in the separate job description, which forms an integral part of this contract.
- 3.2 In addition or as an alternative to your normal duties, you may from time to time be required to undertake on a temporary or permanent basis other duties within any department of the Company or for or on behalf of any Group Company.
- 3.3 You shall not during your employment, unless set forth as part of your job description, or permitted under an executed Power of Attorney, or otherwise expressly permitted by the Company:
 - (a) represent yourself as having authority to negotiate or conclude or enter into any binding contract on behalf of the Company or any Group Company;
 - (b) pledge credit or accept payments on behalf of the Company or any Group Company;
 - (c) make or deliberately or maliciously cause or permit to be made any untrue, derogatory, disparaging or misleading statement in relation to the Company or any Group Company and its/their members, officers or employees.

4. Hours of Work

- 4.1 Your normal hours of work are 40 hours per week, Monday to Friday. Lunch breaks and other breaks provided to you will not constitute working time.
- 4.2 You understand and accept that the Company may request to perform the duties outside the normal working hours (40 hours per week) whenever the proper performance of duties requires so, as defined by the Company's policies. The overtime work hours shall not exceed the number of hours as set down in the Dutch Act on Working hours. The overtime work will be compensated as your usual hourly rate (your monthly basic salary rate divided by the number of normal working hours per month).

5. Place of Work

5.1. Your place of employment will be your (future) home address in the Netherlands and at the Semrush BV office on a schedule agreed between you and your manager. The Company reserves the right to vary your place or work in accordance with business needs. You must communicate to the Company any change in your home address.

6. Remuneration

- 6.1 Your basic salary will be **€353,800.00** gross per annum, paid in equal instalments on a monthly basis of **€29,483.33** gross, subject to tax and other withholdings as required. Your salary will be paid monthly in arrears direct into your bank account on or before the last day of the month. The aforementioned salary includes your 8% vacation allowance.
- 6.2 At the discretion of the Company and subject to you meeting any conditions of eligibility, you may participate in such schemes or plans as the Company adopts from time to time and considers appropriate for employees of equivalent status to you subject to the rules of the relevant plans or schemes which may vary from time to time. The Company may in its discretion withdraw or amend any particular plan or scheme which has been introduced or substitute it with such other plans or schemes as it considers fit whether such substitute plans or schemes provide equivalent benefits or not. Your participation in these schemes is a benefit in respect of which you will be liable to pay income tax. Note that where insurance coverage is declined or premiums are considered to be excessive the Company will instead pay the employee a monthly allowance in lieu of coverage at a rate benchmarked against standard premiums.

7. Vacation Entitlement

- 7.1 The Company's vacation year runs from 1 January to 31 December. The Company reserves the right to alter this holiday period for business reasons.
- 7.2 In accordance with article 7:634 of the Dutch Civil Code you are entitled to 20 working days paid vacation per vacation year and 5 extra working days paid vacation per year, in addition to recognised public holidays, or a pro rata number of days if this contract of employment has not been in effect for a full calendar year. Vacation pay is based on your current basic rate of salary. This entitlement is based on a five-day working week.
- 7.3 The statutory holidays have a carry-over restriction of 6 months after the year in which they were accrued. The Employee and the Company strive to take the holiday days in the year in which they are accrued.
- 7.4 In case of termination of your employment contract, you will be entitled to payment in lieu of any accrued holidays that are not taken and not lapsed. The net equivalent will be paid to you within a month after the termination date. The Company may require you to take unused holidays during your notice period. If on the termination of your employment, you have taken holidays in excess of the holiday entitlement which has accrued to you at that time you will be required to repay to the Company holiday pay in respect of those holidays. These days can be deducted from the final settlement.

8. Absence due to sickness or injury

- 8.1 If you are unable to attend work due to sickness or injury you (or someone on your behalf) must notify the Company as early as possible but no later than 9.00 a.m. on the first day of absence. You must give the date on which you expect to return. You should keep your manager regularly informed of the likely date of your return to work.
- 8.2 In the event of incapacity for work the Employee shall cooperate with any request for medical examinations by the *Arbodienst* ("Dutch Health and Safety Service") and shall furthermore comply with the rules of and instructions by the *Arbodienst* and/or the Company.
- 8.3 If the Employee is incapacitated for work for more than two subsequent months, the Company reserves the right to demand the return of the property of the Company, without being due any compensation, unless agreed otherwise in writing.

9. Sick Pay

- 9.1. Payments for absence from work will be in accordance with the statutory requirements detailed in section 7.629 of the Dutch Civil Code. Payments will begin after two days of absence due to sickness in accordance with the two day waiting period.

10. Termination of Employment

- 10.1 The employment contract may be terminated by either party (before the term) at the last day of a calendar month, by means of a written notice in accordance with due observance of the statutory notice period as stipulated in section 7:672 of the Dutch Civil Code.
- 10.2 Nothing in this clause shall prevent the Company from terminating your employment without notice in accordance with sections 7.678 and 7.679 of the Dutch Civil Code. Further, all (other) rules and regulations as stated in Title 10 of Book 7 of the Dutch Civil Code (BW) apply to termination of the employment, unless otherwise agreed upon in this contract of employment.

11. Employee's obligations regarding the termination of the employment agreement

- 11.1. The Employee shall at the latest one week prior to the termination of this employment agreement, file a request for state unemployment benefits with the Uitvoeringsinstituut Werknemersverzekeringen (UWV), provided that the Employee has not entered into employment elsewhere subsequent to this employment with the Company and the termination thereof.
- 11.2. If the Employee becomes incapacitated to fulfil his/her duties within a period of 28 days after the termination of this employment agreement due to sickness, the Employee will notify the Company thereof as soon as possible. In that case, the Employee has to obey the statutory provisions concerning control and occupational rehabilitation and Company's sickness and reintegration policy. This obligation also applies in case the Employee leave the employment when he/she is incapacitated for work.
- 11.3. The Employee does not have the obligation as referred to in the previous paragraph if:
- the employee has already been employed elsewhere; or
 - the employee is entitled to state unemployment benefits based on the Werkloosheidswet (Unemployment Insurance Act).
- 11.4. The obligations as referred to in the second paragraph of this article remain unchanged as long as the Employee is incapacitated to fulfil his/her duties, as a consequence whereof he/she receives state benefits pursuant to the Ziektewet (Sickness Benefits Act). As soon as the Employee is fully recovered, these obligations will end. When the Employee, after he/she is fully recovered, gets incapacitated again within a period of 28 days after the date of his/her full recovery, the obligations as referred in the second paragraph of this article apply again.

12. Activities outside working hours

- 12.1. You are required to devote your full time and attention while you are employed by the Company to the performance of your duties and to act in the best interests of the Company at all times. You must not, at any time during your employment, except with the Company's prior written permission, undertake any outside work (whether in exchange for money or for free) or be in any way employed, engaged, concerned or interested in any business or activity which may in the Company's opinion adversely affect the proper performance of your duties.

13. Confidentiality

- 13.1 You must not at any time during your employment (except so far as may be necessary for the proper performance of your duties) or after the termination of your employment use for any purpose other than the Company's business or disclose to any person or body any Confidential Information obtained during your employment. For the purposes of this clause "Confidential Information" means any trade secrets or information of a confidential nature relating to the Company or

any Group Company, its or their customers, clients, suppliers, agents or distributors or its or their business finances, transactions, or affairs which belongs to and is of value to the Company or in respect of which the Company owes an obligation of confidence to any third party. Such information includes but is not limited to:

- lists and particulars of the clients and potential clients of the Company or any Group Company; and
 - any commercial, marketing or financial information relating to or business plans of the Company or any Group Company.
- 13.2 You must return to the Company forthwith on termination of your employment or at any time during your employment upon request by the Company any Confidential Information which is in your possession or under your control in any format (whether prepared by you or any other person and whether stored electronically, on paper, on audio, or audio visual tape or otherwise). You must not retain any copy or extract of such information in any format.

14. Copyright & Design Rights

- 14.1. You will promptly disclose to the Company all works in which copyright or design rights may exist which you make or originate either by yourself or jointly with other people during your employment.
- 14.2. Any copyright work or design created by you in the normal course of your employment or in the course of carrying out duties specifically assigned to you and for the period of one year after the date on which this contract has expired, which relate to the affairs of the Company, shall be the property of the Company whether or not the work was made at the direction of the Company, or was intended for the Company and the copyright in it and the rights in any design shall belong absolutely to the Company throughout all jurisdictions and in all parts of the world, together with all rights of registration, extensions and renewal (where relevant).
- 14.3. To the extent that such copyright or design rights are not otherwise vested in the Company, you hereby assign the same to the Company, together with all past and future rights to action relating thereto.
- 14.4. You recognise and accept that the Company may edit, copy, add to, take from, adapt, alter and translate the product of your services in exercising the rights assigned under this clause.
- 14.5. To the full extent permitted by law, you irrevocably and unconditionally waive any provision of law known as “moral rights” in relation to the rights referred to above.
- 14.6. You agree that you will at the Company's request and expense, execute such further documents or deeds and do all things necessary or reasonably required to confirm and substantiate the rights of the Company under this clause and despite the termination of this Agreement for any reason.
- 14.7. You agree that you will not at any time make use of or exploit the Company's property, trademarks, service marks, documents or materials in which the Company owns the copyright or the design rights for any purpose which has not been authorised by the Company.
- 14.8. You agree that your salary includes remuneration for any intellectual property you develop or co-develop.

15. Inventions

- 15.1. It shall be part of your normal duties at all times to consider in what manner and by what new methods or devices, products, services, processes, equipment or systems of the Company and each Group Company might be improved, and promptly to give to the Company/your Line Manager full details of any invention, discovery, design, improvement or other matter or work whatsoever in relation thereto (“the Inventions”) which you may from time to time make or discover during your employment, and to further the interests of the Company in relation to the same. You hereby acknowledge and agree that the sole ownership of the Inventions and all proprietary rights therein discovered or made by you (whether alone or jointly with others) at any time during your employment and for the period of one year after the day on which this contract has expired shall belong free of charge and exclusively to the Company as it may direct.
- 15.2. All worldwide copyright and design rights in all the Inventions shall be and remain the property of the Company and the provisions of clause 19 below shall apply in relation to the same.
- 15.3. You agree that you will, at any time during your employment or thereafter, at the Company's expense, do all such acts and things and execute such documents (including without limitation making application for letters patent) as the Company

may reasonably request in order to vest effectually any Invention (whether owned by the Company in accordance with this clause or owned by you) and any protection as to ownership or use (in any part of the world) of the same, in the Company or any Group Company, or as the Company may direct, jointly if necessary with any joint inventor thereof, and you hereby irrevocably appoint the Company for these purposes to be your attorney in your name and on your behalf to execute and do such acts and things and execute any such documents as set out above.

- 15.4. You warrant that in the performance of the terms of this Agreement and your duties as an employee of the Company you will not breach any invention assignment, proprietary information, confidentiality or similar agreement with any former employer or other party. You warrant also that you will not bring with you to the Company or use in the performance of your duties for the Company any documents or materials or intangibles of a former employer or third party that are not generally available to the public or have not been legally transferred to the Company. You agree to indemnify the Company against all liabilities, costs, expenses, damages and losses and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable professional costs and expenses suffered or incurred by the Company or Group Company arising out of or in connection with any claim made against the Company or Group Company for actual or alleged infringement of a third party's intellectual property rights or confidential information as a result of your breach of a prior agreement

16. Non-Competition, Non-Solicitation and Non-Recruitment

- 16.1. The Employee shall not, either during employment or during a period of 12 months after termination of the employment contract, within Europe, including the Netherlands, and the United States of America, directly or indirectly work for him/herself or for others, or be involved with, either directly or indirectly, financially or otherwise, or have an interest in activities which are within the field of work of the Company's business and/or its affiliated enterprises, either paid or unpaid, unless the Company has given its prior written consent, to which consent the Company may attach conditions. If in doubt about the effect of this clause in a specific situation, the Employee is required to apply to the Company prior to any breach of the clause. The Company shall then give its judgement on the effect of this clause.
- 16.2. The Employee shall not, for a period of 12 months after termination of the employment contract, without the Company's prior written consent, either directly or indirectly, work for or be involved with any customers and business relations of the Company within Europe, including the Netherlands, and the United States of America in any form whatsoever and whether on his/her own behalf or that of third parties. This obligation applies irrespective of whether or not the Employee initiated any such contact. The Employee shall not encourage customers and/or business relations to sever their relationship with the Company.
- 16.3. The Employee shall not without the Company's prior written consent, both during the term of the employment contract and for a 12-month period following its termination, directly or indirectly, for him/herself or for others and in any way whatsoever, enticing away, hiring or causing to be hired or in any way whatsoever use the services of individuals, or attempt to do any of the foregoing with respect to individuals, who are employed by the Company or its affiliates at the termination date or were employed by the Company or its affiliates at any time during the preceding 24 months.

17. Company Policy & Procedure

- 17.1. The policies and procedures of the Company shall be the same as the parent corporation with the exception of the terms of this contract. The Employee has been provided with a copy of these policies and procedures. Local statutory regulations will override any conflicts between the parent corporation's policies and procedures and local statutory regulations.
- 17.2. The company reserves the right to unilaterally amend these policies and procedures.

18. Data Protection

- 18.1. The Company has provided you with a Fair Processing Notice (FPN). The FPN is separate to this employment contract and complies with the EU General Data Protection Regulations.

19. Penalty clause

- 19.1. For every violation of article 11, 12, 13, 14, 15 and/or 16 of this Agreement, you shall pay to the Company (in deviation of Section 7.650 paragraph 3,4 and 5 of the Dutch Civil Code), without any demand or notice of default being required, an immediately payable penalty amounting to € 10.000 and € 1.000 for every day the violation or lasts, notwithstanding the Company's right to enforce full payment from the Employee of all damage(s), directly or indirectly caused by the violation, instead of such a penalty and the right to demand compliance instead of this penalty or in addition to it.

20. Company's property

- 20.1. For the performance of his/her duties the Employee will be given a laptop and other equipment on loan.
- 20.2. At the risk of forfeiting the loan of said items, the Employee will use the items as a good employee and will not use them in order to act contrary to the law.
- 20.3. If and as soon as the employment contract is terminated or the Employee is suspended or has been sent on garden leave – either with or without continued payment of wages – or if the Employee is absent for other reasons for more than one consecutive months, the Employee shall immediately return the items to the Company. Furthermore the Company is entitled to discontinue the loan of the items or change the terms thereof, if as a result of a change in the tax regimes unchanged continuation will be cost-increasing for the Company, without the Company being liable towards the Employee for payment of any damages or compensation otherwise.
- 20.4. All items of property the Company has made available to the Employee must be immediately and voluntarily returned to the Company upon termination of the employment contract, or on such earlier date as the particular circumstances require, for example in the event the Employee is suspended or for any other reason resulting in the items of property no longer being used for business purposes, without the Company being liable towards the Employee for payment of any damages or compensation otherwise.
- 20.5. The Employee shall not be permitted to retain any property belonging to the Company to offset any alleged claim against the Company. The Employee waives any right of retention of property.

21. Expenses

- 21.1. The Company will reimburse you for all reasonable expenses which have been properly incurred by you in the performance of your duties in accordance with the Company's travel and expense policy and approved in advance. You must provide appropriate receipts or other evidence of expenditure to support any claim for reimbursement of expenses. Such receipts and evidence must be submitted in a timely and regular manner, to be eligible for reimbursement, but no later than 3 months after the date that the expense has been incurred, after which the Company reserves the right not to reimburse the employee.

22. Interception of Communications

- 22.1. You acknowledge that access to the Company's computer and telephone systems is provided for business purposes. In order that the Company may protect its legitimate business interests, you agree that all of your internet use and e-mail and telephone communications on the Company's systems may be monitored and/or recorded by the Company and that any other correspondence addressed to you or sent by you at/from the Company's premises may be opened and/or read by the Company. You agree to abide, at all times, with any relevant policy or procedure issued by the Company (or any Group Company) from time to time.

23. Collective Agreements

- 23.1. There are no collective agreements which affect the terms and conditions of your employment.

24. Entire Agreement

- 24.1. This statement of terms and conditions constitutes the entire agreement between you and the Company and is in substitution for all previous terms and conditions of employment between the Company and yourself whether given verbally or in writing all of which are deemed to be terminated by mutual consent with immediate effect.

25. Variations

- 25.1. The Company, acting reasonably and fairly, will be entitled to amend any term of this employment contract unilaterally if the reasons for so doing outweigh any harm that might be done to the Employee's interests by making the amendment.

- 25.2 The nullity of any clause of this employment contract does not result in the nullity of any of the other provisions of this employment contract. Employee and the Company undertake to consult each other immediately in relation to any provisions that are null and void.

26. Definition of Group

- 26.1 In this contract "Group" means the Company and any company which is a subsidiary or holding company of it from time to time, or which is from time to time a subsidiary of any such holding company.

27. Third Parties

- 27.1 Except with respect to any Group Companies (or future institutional investors) who shall be deemed third party beneficiaries, this Agreement constitutes an agreement solely between the Company and you, and, save where otherwise provided, nothing in this contract confers or purports to confer on a third party any benefit or any right to enforce a term of this contract.

28. Law

- 28.1 Your contract of employment with the Company (of which this statement forms part) shall be governed by and construed in all respects in accordance with the laws of the Netherlands. You and the Company each irrevocably submit to the non-exclusive jurisdiction of the Dutch Courts.

Please indicate your acceptance of the terms and conditions of your employment as set out in this statement by signing the duplicate of this statement and returning it.

29. 30% Ruling

- 29.1 If (and insofar as) you are entitled to tax-free reimbursement for extraterritorial costs (30% ruling), your income in this employment contract will be reduced so that, in accordance with the 1965 Wage Tax Act, (article 10ea and further), 100/70 of the newly agreed income shall be equal to the originally agreed income.

29.2 In the event that and insofar as Section 29.1 applies (the 30% ruling), you will be reimbursed for extraterritorial costs by the Company equal to a maximum of 30/70 of the thus agreed new income under this employment contract. You and the Company acknowledge that application of the ruling to reimburse extraterritorial costs (30%-ruling), may not result in an annual taxable salary below the minimum norm as set out in article 10eb of the Wage Tax (Implementation) Decree 1965 and that the reimbursement of extraterritorial costs can also be lower than 30/70 of the agreed salary. You further acknowledge (and are aware of the fact) that, in accordance with prevailing Dutch tax laws, the adjustment of agreed allowances in accordance with Section 29.1 may affect all allowances and payments related to the salary, such as pensions and social security benefits.

29.3 If at any time it appears that you have received an annual taxable salary below the salary standard in accordance with Article 10eb of the Wage Tax Implementation Decree 1965, which standard is set per calendar year, the 30% ruling will lapse retroactively in the calendar year where the deficit was determined.

29.4 If the Company has wrongly calculated the net wage on the basis of the 30%-ruling, the Company is entitled to settle the difference of net income with any financial payments due to you. Should there be insufficient funds to settle the full amount, you shall reimburse the Company directly.

29.5 You are solely responsible for the completion, content and accuracy of the information provided in and with the application form 'Verzoek loonheffingen 30% regeling', and in that regard you cannot hold the Company liable and indemnify the Company against any claims.

29.6. This Clause 29 only applies as long as the 30%-ruling may be applied. If the 30%-ruling is no longer allowed or can no longer be applied (regardless of the reason) to you, the Company can immediately terminate this arrangement without the Company being liable towards you for payment of any damages or compensation otherwise.

Yours sincerely,

/s/ Stephen Howard Owens

Stephen Howard Owens

For and on behalf of **SEMRUSH B.V.**

I accept the terms and conditions of my employment with the Company as set out in this statement.

/s/ Vitalii Obishchenko

Signed: **Vitalii Obishchenko**

Dated: 10.03.2023

(dd.mm.yyyy)

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

I, Oleg Shchegolev, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Semrush Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

Semrush Holdings, Inc.

By: /s/ Oleg Shchegolev

Oleg Shchegolev

Chief Executive Officer

(Principal Executive Officer)

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

I, Brian Mulroy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Semrush Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

Semrush Holdings, Inc.

By: /s/ Brian Mulroy

Brian Mulroy

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Semrush Holdings, Inc. for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oleg Shchegolev, as Chief Executive Officer of Semrush Holdings, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Semrush Holdings, Inc.

Date: August 3, 2023

By: /s/ Oleg Shchegolev
Oleg Shchegolev
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of Semrush Holdings, Inc., regardless of any general incorporation language in such filing.

In connection with the Quarterly Report on Form 10-Q of Semrush Holdings, Inc. for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Mulroy, as Chief Financial Officer of Semrush Holdings, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Semrush Holdings, Inc.

Date: August 3, 2023

By: /s/ Brian Mulroy
Brian Mulroy
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of Semrush Holdings, Inc., regardless of any general incorporation language in such filing.