

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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2022
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-40396

Procore Technologies, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation of registrant)
6300 Carpinteria Avenue
Carpinteria, CA
(Address of principal executive office)

73-1636261
(U.S. Company
Identification No.)
80013
(26 Area)

Registrant's telephone number, including area code: (805) 477-6267

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, \$0.0001 par value	PCOR	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
As of April 29, 2022, the registrant had 135,903,890 shares of common stock, \$0.0001 par value per share, outstanding.

Table of Contents		Page
PART I.	FINANCIAL INFORMATION	4
Item 1.	Financial Statements (Unaudited)	4
	Condensed Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Operations and Comprehensive Loss	5
	Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)	6
	Condensed Consolidated Statements of Cash Flows	7
Item 2.	Notes to Condensed Consolidated Financial Statements	9
Item 3.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 4.	Quantitative and Qualitative Disclosures About Market Risk	32
	Summary and Prospects	32
PART II.	OTHER INFORMATION	34
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	61
Item 6.	Exhibits	62
	Signatures	63

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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, are forward-looking statements of our future operating results and financial position, our business strategy and plans, market growth and trends, and objectives for future operations, and the impact of the ongoing coronavirus pandemic (the "COVID-19 pandemic") on our financial condition and results of operations. Forward-looking statements generally relate to future events or our future financial or operating performance. 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 that concern our expectations, strategy, plans or intentions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our financial performance, including revenues, expenses, and margins, and our ability to achieve or maintain future profitability;
- our expectations regarding our ability to successfully integrate Express Lien, Inc. (d/b/a Levelset), a Delaware corporation ("Levelset"), and LaborChart, Inc., a Delaware corporation ("LaborChart"), into our business and receive the anticipated benefits from all such transactions;
- our ability to effectively manage our growth;
- anticipated trends, growth rates, and challenges in our business and in the markets in which we operate;
- economic and industry trends, in particular the rate of adoption of construction management software and digitization of the construction industry, inflation, and challenging geopolitical conditions;
- our ability to attract new customers and retain and increase sales to existing customers;
- our ability to expand internationally;
- the effects of increased competition in our markets and our ability to compete effectively;
- our estimated total addressable market;
- our ability to develop new products and features, and whether our customers and prospective customers will adopt these new products and features;
- our ability to maintain, protect, and enhance our brand;
- the sufficiency of our cash to meet our cash needs for at least the next 12 months;
- future acquisitions, joint ventures, or investments;
- our ability to comply or remain in compliance with laws and regulations that currently apply or become applicable to our business in the United States ("U.S.") and internationally;
- the effects of the COVID-19 pandemic or other public health crises;
- our reliance on key personnel and our ability to attract, maintain, and retain management and skilled personnel;
- the future trading price of our common stock; and
- our anticipated use of the net proceeds from our initial public offering ("IPO").

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

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

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

RISK FACTORS SUMMARY

Investing in our common stock involves a high degree of risk. Below is a summary of material factors that make an investment in our securities speculative or risky. Importantly, this summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, as well as other risks we face can be found under the heading "Risk Factors" in Part II of this Quarterly Report on Form 10-Q.

- Our business is subject to a number of risks of which you should be aware before making a decision to invest in our common stock. These risks include, among others, the following:
- we have experienced rapid growth in recent periods, and such growth may not be indicative of our future growth. If we fail to properly manage future growth, our business, financial condition, results of operations, and prospects could be materially adversely affected;
 - we have a history of losses and may not be able to achieve or sustain profitability in the future;
 - our business may be significantly impacted by changes in the economy and related reductions in spend across the construction industry;
 - the construction management software industry is evolving and may not develop in ways we expect;
 - our current and future products and features may not be widely accepted by our customers, and we may not be able to respond to technological changes or changes in customer demands and preferences, or develop new products and functionality;
 - we are continuing to expand our operations outside the United States, where we may be subject to increased business, regulatory, and economic risks that could materially adversely affect our business, financial condition, results of operations, and prospects;
 - our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to maintain and expand our customer base will be impaired, and our business will be harmed;
 - our ability to increase our customer base and achieve broader market acceptance of our products will significantly depend on our ability to develop and expand our sales and marketing capabilities, the failure of which could materially adversely impact our business, financial condition, results of operations, and prospects;
 - we operate in a competitive market, and we must continue to compete effectively;
 - our results of operations may fluctuate significantly, which could make our future results difficult to predict and could cause our results of operations to fall below expectations;
 - if we lose key management personnel or if we are unable to retain or hire additional qualified personnel, we may not be able to achieve our strategic objectives and our business, financial condition, results of operations, and prospects could be materially adversely affected;
 - we are subject to stringent, changing and sometimes potentially inconsistent obligations related to data privacy and security (both domestically and globally), and our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm, loss of revenue or profits, loss of customers or sales, and other adverse consequences, any of which could materially adversely affect our business, financial condition, results of operations, and prospects;
 - if our information technology systems or data, or those of third parties upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm, loss of revenue or profits, loss of customers or sales, and other adverse consequences, any of which could materially adversely affect our business, financial condition, results of operations, and prospects;
 - any failure to offer high quality support for our customers and collaborators may harm our relationships with our customers and, consequently, our business;
 - if we fail to maintain an effective system of disclosure controls and internal control over our financial reporting, including our acquisitions, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired and our business, financial condition, results of operations, and prospects could be materially adversely affected; and
 - the COVID-19 pandemic has had and could continue to have an adverse impact on our business, operations, and the markets and communities in which we, our partners, and our customers operate.

Part I – FINANCIAL INFORMATION		
Item 1. Financial Statements		
Procore Technologies, Inc. Condensed Consolidated Balance Sheets (unaudited)		
(in thousands, except number of shares and par value)	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 586,914	\$ 586,108
Accounts receivable, net	79,777	113,977
Contract cost asset, current	16,358	17,030
Prepaid expenses and other current assets	49,732	35,172
Total current assets	725,779	752,288
Capitalized software development costs, net	34,898	27,062
Property and equipment, net	40,047	36,837
Right of use assets – finance leases	38,948	39,623
Right of use assets – operating leases	47,243	44,662
Contract cost asset, non-current	28,735	25,889
Intangible assets, net	192,951	201,977
Goodwill	540,024	540,922
Other assets	24,087	22,007
Total assets	\$ 1,672,264	\$ 1,690,657
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 14,408	\$ 16,486
Accrued expenses	58,892	65,907
Deferred revenue, current	916,000	301,957
Other current liabilities	25,116	20,752
Total current liabilities	408,616	403,704
Deferred revenue, non-current	4,166	4,024
Finance lease liabilities, non-current	46,952	47,344
Operating lease liabilities, non-current	43,820	41,573
Other liabilities, non-current	4,325	4,723
Total liabilities	507,871	501,368
Contingencies (Note 6)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 100,000,000 shares authorized at March 31, 2022 and December 31, 2021; 0 shares issued and outstanding at March 31, 2022 and December 31, 2021	-	-
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized at March 31, 2022 and December 31, 2021; 135,491,587 and 134,048,506 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	13	13
Additional paid-in capital	1,898,241	1,882,071
Accumulated other comprehensive loss	(238)	(583)
Accumulated deficit	(728,613)	(869,210)
Total stockholders' equity	1,164,395	1,189,295
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 1,672,264	\$ 1,690,657

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

Procore Technologies, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands)

	Three Months Ended March 31,	
(in thousands, except share and per share amounts)	2022	2021
Revenue	\$ 159,516	\$ 113,938
Cost of revenue	33,332	20,350
Gross profit	126,184	93,578
Operating expenses		
Sales and marketing	93,915	53,965
Research and development	60,264	34,545
General and administrative	43,152	17,925
Total operating expenses	197,331	106,435
Loss from operations	(71,147)	(12,858)
Interest expense, net	(491)	(562)
Other income (expenses), net	563	(183)
Loss before provision for income taxes	(71,075)	(13,603)
Provision for income taxes	324	129
Net loss	\$ (71,419)	\$ (13,732)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.53)	\$ (0.44)
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	134,530,010	31,357,060
Total comprehensive loss		
Net loss	\$ (71,419)	\$ (13,732)
Foreign currency translation adjustment	365	(24)
Comprehensive loss	\$ (71,054)	\$ (13,756)

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

Procore Technologies, Inc.
Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(unaudited)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income/Loss		Accumulated Deficit	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount		Net Income/Loss			
(In thousands, except share amounts)									
Balance as of December 31, 2020	85,331,278	\$ 727,474	36,707,113	\$ -	\$ 124,755	\$ 167	\$ (507,947)	\$ (275,192)	
Exercise of stock options	-	-	7,294,484	-	9,710	-	-	11,032	
Stock-based compensation	-	-	-	-	9,710	-	-	9,710	
Foreign currency translation adjustment	-	-	-	-	-	(24)	-	(24)	
Net loss	-	-	-	-	-	-	(13,720)	(13,720)	
Balance as of March 31, 2021	85,331,278	\$ 727,474	43,991,597	\$ -	\$ 144,175	\$ -	\$ (521,667)	\$ (150,018)	

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
(In thousands, except share amounts)	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	-	\$ -	136,040,335	\$ 13	\$ 1,882,071	\$ (363)	\$ (882,212)	\$ 1,100,289
Exercise of stock options	-	-	697,365	-	9,755	-	-	9,755
Stock-based compensation	-	-	-	-	30,375	-	-	30,375
Issuance of common stock upon settlement of restricted stock units	-	-	756,863	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	345	-	345
Net loss	-	-	-	-	-	-	(71,413)	(71,413)
Balance as of March 31, 2022	-	\$ -	137,494,563	\$ 13	\$ 1,922,241	\$ (218)	\$ (953,621)	\$ 1,064,385

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

Procore Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

(in thousands)	Three Months Ended March 31,	
	2022	2021
Operating activities		
Net loss	\$ (71,419)	\$ (13,732)
Adjustments to reconcile net loss to net cash provided by operating activities		
Stock-based compensation	37,209	10,303
Depreciation and amortization	15,147	7,201
Abandonment of long-lived assets	-	954
Noncash lease expense	2,190	1,866
Unrealized foreign currency (gain) loss, net	(477)	605
Deferred income taxes	(252)	(277)
Changes in operating assets and liabilities		
Accounts receivable	34,125	20,723
Deferred contract cost assets	(4,593)	(1,562)
Prepaid expenses and other assets	(4,925)	(4,601)
Accounts payable	109	(3,519)
Accrued expenses and other liabilities	(4,257)	5,115
Deferred revenue	8,774	6,039
Operating lease liabilities	(1,870)	(1,372)
Net cash flow provided by operating activities	10,294	23,295
Investing activities		
Purchases of property and equipment	(7,520)	(2,393)
Capitalized software development costs	(7,632)	(2,193)
Purchases of strategic investments	(2,329)	-
Settlement of post-close working capital adjustments from business combinations	1,291	-
Net cash flow used in investing activities	(16,190)	(4,586)
Financing activities		
Proceeds from stock option exercises	6,907	11,627
Payments of deferred offering costs	-	(540)
Principal payments under finance lease agreements, net of proceeds from lease incentives	(365)	(314)
Net cash flow provided by financing activities	6,542	10,773
Net increase in cash, cash equivalents and restricted cash	631	34,485
Effect of exchange rate changes on cash	175	(629)
Cash, cash equivalents and restricted cash, beginning of period	589,212	383,253
Cash, cash equivalents and restricted cash, end of period	\$ 595,018	\$ 417,107

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

Procom Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in thousands)	Three Months Ended March 31,	
	2022	2021
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents at end of period	\$	\$
Restricted cash, current at end of period included in prepaid expenses and other current assets	586,914	413,761
Restricted cash, non-current at end of period included in other assets	-	242
Total cash, cash equivalents and restricted cash at end of period shown in the condensed consolidated statements of cash flows	3,104	3,104
	<u>590,018</u>	<u>417,107</u>
Supplemental disclosure of cash flow information		
Cash paid for interest other than finance leases	\$	\$
Cash paid for income taxes	98	40
Cash received for lease incentives	-	-
Cash paid for amounts included in the measurement of lease liabilities	405	93
Operating cash flows from finance leases	511	525
Operating cash flows from operating leases	2,518	1,732
Financing cash flows from finance leases	454	407
Noncash investing and financing activities		
Purchases of property and equipment included in accounts payable and accrued expenses at period end	1,521	399
Capitalized software development costs included in accounts payable and accrued expenses at period end	1,829	591
Deferred offering costs included in accounts payable and accrued expenses at period end	270	2,113
Stock-based compensation capitalized for software development	2,166	83
Conversion of available-for-sale debt securities into equity securities	3,292	-
Right of use assets obtained in exchange for operating lease liabilities	6,993	76
Noncash net change due to operating lease remeasurement	(1,676)	(14)

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Description of Business
Procore Technologies, Inc. and subsidiaries (together "Procore", the "Company", "we", "us", or "our") provide a cloud-based construction management platform and related software products that allow the construction industry's key stakeholders, such as owners, general contractors, specialty contractors, architects, and engineers, to collaborate on construction projects.
The Company was incorporated in California in 2002 and re-incorporated in Delaware in 2014. The Company is headquartered in Carpinteria, California, and has operations globally.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The accompanying condensed consolidated financial statements include the interim financial statements of Procore Technologies, Inc. and its subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are unaudited. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2021. The condensed consolidated balance sheet information as of December 31, 2021 has been derived from our audited consolidated financial statements. The condensed consolidated financial statements have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal recurring items, necessary for the fair statement of the condensed consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. Certain balances have been reclassified to conform to current year presentation.

Use of estimates
The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management periodically evaluates its estimates and assumptions for continued reasonableness, primarily with respect to revenue recognition, the period of benefit of contract cost assets, the fair value of assets acquired and liabilities assumed in a business combination, stock-based compensation expense, including the fair value of the Company's common stock prior to the effective date of the Company's initial public offering ("IPO"), the recoverability of goodwill and long-lived assets, useful lives of long-lived assets, capitalization of software development costs, income taxes, including related reserves and allowances, and self-insurance reserve estimates. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable. Actual results could differ from our estimates.

In light of the currently unknown duration and severity of the COVID-19 pandemic, we face a greater degree of uncertainty than normal in making the judgments and estimates needed to apply our significant accounting policies. As of the date these condensed consolidated financial statements were issued, the impacts of the COVID-19 pandemic did not have a significant impact on our estimates or judgments. Judgments and assumptions may change, as new events occur and additional information is obtained, as well as other factors related to the COVID-19 pandemic and economic recovery that could result in a meaningful impact on our condensed consolidated financial statements in future reporting periods.

Segments
We operate as a single operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. Our CODM is our Chief Executive Officer. In recent years, we have completed a number of acquisitions which have allowed us to expand our products offered on our platform. While we provide different product offerings, including as a result of the Company's acquisitions, our business operates as one operating segment because our CODM evaluates the Company's financial information for purposes of assessing financial performance and

allocating resources on a consolidated basis.

Deferred offering costs

Deferred offering costs of \$6.0 million were recorded as other assets on the condensed consolidated balance sheet as of March 31, 2021, and consisted of costs incurred in connection with the sale of the Company's common stock in the IPO, including certain legal, accounting, printing, and other IPO related costs. Upon the closing of the IPO, deferred offering costs of \$7.5 million were reclassified to stockholders' equity as a reduction from the proceeds of the offering. There are no deferred offering costs as of March 31, 2022.

Strategic investments

Investments in equity securities

We hold investments in equity securities of certain privately held companies, which do not have readily determinable fair values. We do not have a controlling interest or significant influence in these companies. We have elected to measure the non-marketable equity securities at cost, with remeasurements to fair value only upon the occurrence of observable price changes in orderly transactions for the identical or similar securities of the same issuer or in the event of any impairment. The election is reassessed each reporting period to determine whether a non-marketable equity security has a readily determinable fair value, in which case they would no longer be eligible for this election. All gains and losses on such equity securities, realized and unrealized, are recorded in other income (expenses), net on the condensed consolidated statements of operations and comprehensive loss. We evaluate our non-marketable equity securities for impairment at each reporting period based on a qualitative assessment that considers various potential impairment indicators. If an impairment exists, a loss is recognized in the condensed consolidated statements of operations and comprehensive loss for the amount by which the carrying value exceeds the fair value of the investment. In connection with certain equity securities purchased in the first quarter of 2022, the Company has a contractual obligation to provide additional investment funding of up to \$4.9 million at the option of the investees.

As of March 31, 2022, the Company held investments in equity securities of privately held companies of \$9.5 million, including \$3.2 million of securities that were converted from certain previously held available-for-sale debt securities. There were no material gains or losses upon the conversion of the previously held debt securities into equity securities. The Company held \$3.8 million of investments in equity securities of privately held companies as of December 31, 2021. Investments in equity securities are recorded in other assets in the condensed consolidated balance sheets. There were no impairments, changes in fair value, or realized gains or losses related to the investments in equity securities during the periods presented.

Available-for-sale debt securities

Available-for-sale debt securities are recorded at fair value with changes in fair value recorded in other comprehensive income or loss. We periodically review our available-for-sale debt securities to determine if there has been an other-than-temporary decline in fair value. If the impairment is deemed other-than-temporary, the portion of the impairment related to credit losses is recognized in other income (expenses), net in the accompanying condensed consolidated statements of operations and comprehensive loss, and the portion related to non-credit related losses is recognized as a component of comprehensive loss. The Company held \$3.5 million of investments in available-for-sale debt securities of privately held companies as of December 31, 2021, included within other assets in the condensed consolidated balance sheet. As of March 31, 2022, investments in available-for-sale debt securities of privately held companies are immaterial. No changes in fair value or impairments have been recorded for available-for-sale debt securities during the periods presented.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value measurements are based on a fair value hierarchy using three levels of inputs, of which the first two are considered observable and the last is considered unobservable, as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets or liabilities.

Procore Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of March 31, 2022 and December 31, 2021, the carrying value of the Company's financial instruments included in current assets and current liabilities (including accounts receivable, accounts payable and accrued expenses) approximate fair value due to the short term nature of such items. The Company classifies its money market funds recorded in cash equivalents within Level 1 of the hierarchy as the values are derived from quoted prices in active markets. As of March 31, 2022 and December 31, 2021, cash equivalents of \$516.5 million and \$514.9 million, respectively, were held in money market funds.

The Company's investments in equity securities of privately held companies are recorded at fair value on a non-recurring basis. The Company's investments in available-for-sale debt securities are remeasured at fair value each reporting period. The estimation of fair value for these investments requires the use of significant unobservable inputs, and as a result, the Company classifies these assets as Level 3 within the fair value hierarchy. For investments without a readily determinable fair value, the Company looks to observable transactions, such as the issuance of new equity by an investee, as indicators of investee enterprise value and are used to estimate the fair value of the investments.

Deferred revenue

Contract liabilities consist of revenue that is deferred when we have the contractual right to invoice in advance of transferring services to our customers. The Company recognized revenue of \$126.2 million and \$93.9 million during the three months ended March 31, 2022 and 2021, respectively, that was included in deferred revenue balances at the beginning of the respective periods.

Remaining performance obligation

The transaction price allocated to remaining performance obligations represents the contracted transaction price that has not yet been recognized as revenue, which includes deferred revenue and amounts under non-cancelable contracts that will be invoiced and recognized as revenue in future periods. As of March 31, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was \$626.7 million, of which the Company expects to recognize approximately 71% as revenue in the next 12 months and substantially all of the remainder between 12 and 36 months thereafter.

Significant accounting policies

Other than as described below, the accounting policies used in the preparation of these condensed consolidated financial statements are the same as those disclosed in the audited consolidated financial statements and related notes for the year ended December 31, 2021.

Self-insurance reserves

In January 2022, the Company elected to partially self-fund its health insurance plan. To reduce its risk related to high-dollar claims, the Company maintains individual stop-loss insurance. The Company estimates its exposure for claims incurred at the end of each reporting period, including claims not yet reported, with the assistance of an independent third-party actuary. As of March 31, 2022, the Company's net self-insurance accrual was \$1.1 million, included in other current liabilities within the condensed consolidated balance sheet.

Materials finance revenue

In connection with our acquisition of Express Lien, Inc. (5(b)(1) LevelSet) ("LevelSet") in November 2021, the Company assumed a materials finance line of business, pursuant to which the Company facilitates the purchase of construction materials from suppliers and allows its customers to finance their purchases of such materials from the Company on deferred payment terms. Revenue is reported on a net basis as the supplier is primarily responsible for fulfilling the materials purchase orders and the Company does not have control over such materials. Materials finance revenues were not material to the quarter ended March 31, 2022.

Recently adopted accounting pronouncements

Simplifying the Accounting for Convertible Instruments

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). The new guidance simplifies the accounting for certain financial instruments by removing certain separation models required under current U.S. GAAP, including the beneficial conversion feature and cash conversion feature. ASU 2020-06 also improves and amends the related Earnings Per Share guidance for both Subtopics. ASU 2020-06 is effective for public business entities for fiscal years beginning after December 15, 2021 and interim periods within that fiscal year. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. On January 1, 2022, the Company adopted ASU 2020-06, using the full retrospective approach. The adoption had an immaterial impact on the Company's condensed consolidated financial statements.

3. LEASES

We have primarily entered into lease arrangements for office space. In addition to other miscellaneous equipment. Our leases have initial non-cancelable lease terms ranging from one to 10 years. Some of our leases include an option for the Company to extend the term of the lease for up to 10 years.

Operating lease commencement and modifications resulted in net increases to right of use assets—operating leases and corresponding operating lease liabilities on our condensed consolidated balance sheet of \$7.0 million during the three months ended March 31, 2022. The lease additions during the three months ended March 31, 2022 primarily relate to an office space lease in Sydney, Australia, which was executed prior to December 31, 2021 and commenced in 2022, and an office space lease in New York, which was executed during the first quarter of 2022.

4. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Our finite-lived intangible assets are summarized as follows (in thousands):

March 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 137,559	\$ (22,568)	\$ 114,991
Customer relationships	\$ 66,350	\$ (8,263)	\$ 58,087
Total	\$ 203,909	\$ (30,831)	\$ 173,078

December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 137,973	\$ (16,913)	\$ 121,060
Customer relationships	\$ 66,350	\$ (6,133)	\$ 60,217
Total	\$ 204,323	\$ (23,046)	\$ 181,277

Procore Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Intangible assets amortization expense is summarized as follows (in thousands):

	Three Months Ended March 31,		
	2022		2021
Cost of revenue	\$	5,654	\$ 1,086
Sales and marketing		3,106	479
Research and development		902	183
Total amortization of acquired intangible assets	\$	9,662	\$ 1,748

Goodwill

As of March 31, 2022, the Company had goodwill of \$540.0 million in its condensed consolidated balance sheet. During the three months ended March 31, 2022, goodwill decreased by \$0.9 million due to the settlement of post-close working capital adjustments from business combinations which were completed in the fourth quarter of 2021, and the effect of foreign currency translation. There was no impairment of goodwill during the periods presented.

5. ACCRUED EXPENSES

The following represents the components of accrued expenses contained within our condensed consolidated balance sheets at the end of each period (in thousands):

	March 31,		December 31,	
	2022		2021	
Accrued commissions and bonuses	\$	16,108	\$	29,876
Accrued salary, payroll tax, and employee benefit liabilities		32,043		25,997
Other accrued expenses		10,681		10,034
Total accrued expenses	\$	58,832	\$	65,907

6. CONTINGENCIES

Litigation

From time to time, the Company may be subject to various litigation matters arising in the ordinary course of business. However, the Company is not aware of any currently pending legal matters or claims that could have a material adverse effect on its financial position, results of operations or cash flows should such litigation be resolved unfavorably.

Indemnifications

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors, and officers with respect to certain matters, including, but not limited to, losses arising out of its breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminate.

The Company has never paid a material claim, nor has the Company been sued in connection with these indemnification arrangements. To date, the Company has not accrued a liability for these guarantees, because the likelihood of incurring a payment obligation, if any, in connection with these guarantees is not probable or reasonably estimable.

7. CREDIT FACILITY

The Company had a credit agreement (the "Credit Facility") provided by Silicon Valley Bank, to be used for general corporate purposes, including the financing of working capital requirements. As of March 31, 2022 and December 31, 2021, the aggregate principal amount available under the Credit Facility was up to \$73.7 million with the option to increase the availability.

Procore Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

up to \$150.0 million. The Credit Facility had a maturity date of May 7, 2022, and the Company elected to terminate the Credit Facility on April 29, 2022, prior to such maturity date.

As of each period presented, no amounts had been drawn down under the Credit Facility, and the Company was in compliance with all financial covenants.

As of March 31, 2022 and December 31, 2021, the Company had letters of credit outstanding under the Credit Facility of \$6.5 million to secure various U.S. and Australia leased office facilities. Upon termination of the Credit Facility, the Company's outstanding letters of credit, issued by Silicon Valley Bank, remain outstanding on an unsecured basis, without any requirement to set aside restricted cash.

8. COMMON STOCK

Upon the closing of the IPO, the Company filed an Amended and Restated Certificate of Incorporation which authorized 1,000,000,000 shares of common stock with a par value of \$0.0001 per share, and 100,000,000 shares of undesignated preferred stock with a par value of \$0.0001 per share. Each share of common stock is entitled to one vote per share.

9. STOCK-BASED COMPENSATION

2021 Equity Incentive Plan

In May 2021, the Company's board of directors adopted, and the stockholders approved, the 2021 Equity Incentive Plan (the "2021 Plan") with the purpose of granting stock-based awards, including stock options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance awards and other forms of awards, to employees, directors, and consultants. A total of 30,362,018 shares of common stock were authorized for issuance under the 2021 Plan in May 2021. The number of shares of our common stock reserved for issuance under our 2021 Plan automatically increases on January 1 of each calendar year, starting on January 1, 2022 through January 1, 2031, in an amount equal to (i) 5% of the total number of shares of our common stock outstanding on December 31 of the fiscal year before the date of each automatic increase, or (ii) a lesser number of shares determined by our board of directors prior to the applicable January 1. Accordingly, on January 1, 2022, the number of shares of common stock that may be issued under the 2021 Plan increased by an additional 6,702,346 shares. As of March 31, 2022, a total of 31,583,877 shares of common stock were available for issuance under the 2021 Plan. No stock options have been issued under the 2021 Plan.

Stock options

The following table summarizes the stock option activity during the three months ended March 31, 2022:

	Number of Shares	Weighted- Average Exercise Price
Outstanding at December 31, 2021	7,642,890	\$ 12.98
Exercised	(897,899)	9.73
Canceled/Forfeited	(28,940)	21.08
Outstanding at March 31, 2022	6,896,052	13.22
Exercisable at March 31, 2022	9,766,168	\$ 11.78

As of March 31, 2022, the total unrecognized stock-based compensation cost for unvested stock options was \$8.7 million, which is expected to be recognized over a weighted-average period of 0.9 years.

Restricted stock units

In 2018, the Company began issuing RSUs to certain employees, officers, non-employee consultants, and directors. The RSUs granted prior to the IPO vested upon the satisfaction of both a service and a performance condition, if both conditions are met before the award's expiration date. For certain awards the performance condition was satisfied solely on the effective date of a registration statement for our IPO and for other awards the performance condition was satisfied on the earlier of either the effective date of a registration statement for our IPO or a change in control. RSUs granted with service vesting conditions

Procore Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

generally vest over four years on either a quarterly or annual vesting schedule.

Prior to the effective date of the registration statement for our IPO, achievement of the performance conditions was not probable. Upon the effective date of the registration statement for the IPO, the performance vesting condition for all RSUs granted was satisfied and the Company recognized on a graded vesting basis a cumulative catch-up stock-based compensation adjustment in its condensed consolidated statement of operations and comprehensive loss for the portion of the service period satisfied from the grant date through the effective date of the registration statement. All RSUs granted subsequent to the IPO vest based on continued service, which is generally over four years.

The following table summarizes the RSU activity during the three months ended March 31, 2022:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding at December 31, 2021	6,622,684	\$ 55.72
Granted	2,925,705	\$ 55.02
Vested	(706,463)	\$ 47.21
Canceled/Forfeited	(219,734)	\$ 55.89
Outstanding at March 31, 2022	8,622,192	\$ 60.60

As of March 31, 2022, the total unrecognized stock-based compensation cost for all RSUs outstanding was \$410.7 million, which is expected to be recognized over a weighted-average vesting period of 2.6 years.

Restricted stock awards

In November 2021, the Company issued 199,670 RSAs to certain key employees in connection with the acquisition of Levelset that vest based on their continued service over a two-year period. The fair value of the RSAs issued was \$95.05 per share, which was the closing trading stock price of the Company's common stock on the acquisition date. These shares are released from restriction quarterly over a two-year period assuming the continued service of the employees. As of March 31, 2022, 24,954 shares have vested. As of December 31, 2021, no shares had vested. During the three months ended March 31, 2022, the Company recognized stock-based compensation expense of \$2.4 million relating to these shares.

In July 2019, the Company issued 205,464 restricted Series H-1 redeemable convertible preferred stock awards ("Series H-1 RSAs") to certain employees at a grant date fair value of \$28.71 in connection with the acquisition of Honest Buildings, Inc. These shares were released from restriction 50% on the first anniversary and 50% on the second anniversary of the acquisition date based on continued service of the employees. As of March 31, 2021, 102,732 of the Series H-1 RSAs were vested, and all Series H-1 RSAs were fully-vested in July 2021. Upon the closing of the IPO, the Series H-1 RSAs automatically converted into shares of restricted common stock on a one-for-one basis. During the three months ended March 31, 2021, the Company recognized stock-based compensation expense of \$5.7 million for these shares.

Sales of common stock

During the three months ended March 31, 2021, certain of the Company's investors acquired outstanding common stock from the Company's employees. For the shares acquired at a price in excess of the estimated fair value of the Company's common stock, the Company recorded stock-based compensation expense of \$5.5 million for the three months ended March 31, 2021 for the difference between the price paid by the investors and the estimated fair value on the date of the transactions.

Employee Stock Purchase Plan

In May 2021, the Company's board of directors adopted, and the stockholders approved, the 2021 Employee Stock Purchase Plan (the "ESPP"), which became effective immediately prior to the effective date of the Company's IPO. A total of 2,600,000 shares of common stock were initially reserved for issuance under the ESPP. The number of shares of our common stock reserved for issuance under the ESPP automatically increases on January 1 of each year for a period of ten years, beginning on January 1, 2022 and continuing through January 1, 2031, by the lesser of (i) 1% of the total number of shares of our common stock outstanding on December 31 of the immediately preceding year, and (ii) 3,000,000 shares, except before the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii). Accordingly, on January 1, 2022, the number of shares of common stock reserved under the 2021 ESPP increased by an additional 1,340,489 shares.

Procore Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The offering periods are scheduled to start in May and November of each year. The first offering period commenced on the Company's first day of trading on May 20, 2021 and comprises three purchase periods of approximately six months in length, scheduled to end on November 15, 2022. The ESPP provides for consecutive offering periods that will typically have a duration of 12 months in length and comprise two purchase periods of six months in length.

The ESPP provides eligible employees with an opportunity to purchase shares of the Company's common stock through payroll deductions of up to 15% of their eligible compensation, subject to a maximum of \$25,000 of stock per calendar year. A participant may purchase a maximum of 2,500 shares of common stock during a purchase period. Amounts deducted and accumulated by the participant are used to purchase shares of common stock at the end of each six-month purchase period. The purchase price of the shares shall be 85% of the lower of the fair market value of the common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of each purchase period in the related offering period. However, in the event the fair value of the common stock on the purchase date is lower than the fair value on the first trading day of the offering period, the offering period is terminated immediately following the purchase and a new offering period begins the following day. Participants may end their participation at any time prior to the last 15 days of a purchase period and will be repaid their accrued contributions that have not yet been used to purchase shares of common stock. Participation ends automatically upon termination of employment.

We estimate the fair value of the ESPP purchase rights on the date of grant using the Black-Scholes option pricing model with the following assumptions during the three months ended March 31, 2022.

Risk-free interest rate	0.00% to 0.09%
Expected term (in years)	0.5 to 1.5
Estimated dividend yield	0.00%
Estimated weighted-average volatility	63.42% to 69.39%

The term for the ESPP purchase rights is the offering period. We estimate volatility using historical volatilities of a group of public companies in a similar industry and stage of life cycle, selected by management, for a period commensurate with the term. The interest rate is derived from government bonds with a similar term to the ESPP purchase right granted. We have not declared, nor do we expect to declare dividends in the foreseeable future. Consequently, an expected dividend yield of zero was utilized. The fair value of the Company's common stock used to value ESPP purchase rights is based on the trading price of our publicly traded common stock.

Employee payroll contributions accrued in connection with the ESPP were \$10.4 million as of March 31, 2022, and are included within accrued expenses in the condensed consolidated balance sheet. Employee payroll contributions ultimately used to purchase shares will be reclassified to stockholders' equity on the purchase date. Stock-based compensation expense related to the ESPP is recognized on a straight-line basis over the offering period. Forfeitures are recognized as they occur. During the three months ended March 31, 2022, the Company recorded stock-based compensation of \$1.4 million in connection with the ESPP.

As of March 31, 2022, the total unrecognized stock-based compensation expense related to the ESPP was \$9.3 million, which is expected to be recognized over a weighted-average period of 0.4 years.

Stock-based compensation

The Company recorded total stock-based compensation cost from stock options, RSUs, ESPP, RSAs, and sales of stock by employees in excess of fair value as follows (in thousands):

	Three Months Ended March 31			
	2022		2021	
Cost of revenue		1,468		1,161
Sales and marketing	\$	10,290	\$	3,252
Research and development		13,008		3,246
General and administrative		13,447		2,544
Total stock-based compensation expense		37,209		10,903
Stock-based compensation capitalized for software development	\$	5,195		83
Total stock-based compensation cost	\$	32,014	\$	10,820

10. INCOME TAXES

For the three months ended March 31, 2022 and 2021, the Company recorded an income tax expense of \$0.3 million and \$0.1 million, respectively. As of March 31, 2022, the Company maintained a full valuation allowance on its U.S. federal, state, and certain foreign net deferred tax assets as it was more likely than not that those deferred tax assets would not be realized.

In determining quarterly provisions for income taxes, we use the annual estimated effective tax rate applied to the actual year-to-date income or loss, adjusted for discrete items, if any, arising in that quarter. The Company's annual estimated effective tax rate differs from the U.S. federal statutory rate of 21% primarily as a result of state taxes, foreign taxes, and changes in the Company's valuation allowance.

11. NET LOSS PER SHARE

Basic and diluted net income (loss) per share is presented in conformity with the two-class method required for participating securities. The Company's redeemable convertible preferred stock were participating securities as the holders of the redeemable convertible preferred stock were entitled to participate in dividends with common stock. In periods of net income, net income is attributed to common stockholders and participating securities based on their participation rights, and basic net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Net losses were not allocated to the redeemable convertible preferred stock as the holders of the redeemable convertible preferred stock did not have a contractual obligation to share in any losses. Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted net income per share attributable to common stockholders adjusts basic net income per share for the potentially dilutive impact of stock options, stock awards, and redeemable convertible preferred stock. As the Company has reported net losses attributable to common stockholders for all periods presented, all potentially dilutive securities are antidilutive and accordingly, basic net loss per share attributable to common stockholders equals diluted net loss per share attributable to common stockholders.

Procore Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The following weighted-average potentially dilutive shares are excluded from the calculation of diluted earnings per share as they are anti-dilutive:

	Three Months Ended March 31,	
	2022	2021
Shares of common stock issuable upon conversion of		
redemtable convertible preferred stock	-	85,331,278
Restricted stock units and restricted stock awards		
subject to future vesting	6,631,968	5,627,249
Shares issuable pursuant to the ESPP	520,485	-
Shares of common stock issuable from stock options	7,250,114	11,952,293
Total	14,402,567	102,960,820

12. GEOGRAPHIC INFORMATION

The following table sets forth the Company's revenues by geographic region, which is determined based on the billing location of the customer (in thousands):

	Three Months Ended March 31,	
	2022	2021
Revenue by geographic region:		
United States	\$ 136,204	\$ 98,000
Rest of the world	23,312	15,332
Total revenue	<u>\$ 159,516</u>	<u>\$ 113,332</u>
Percentage of revenue by geographic region:		
United States	86%	87%
Rest of the world	15%	13%

13. SUBSEQUENT EVENTS

The Company elected to terminate its Credit Facility on April 29, 2022, as disclosed in Note 7 of these condensed consolidated financial statements.

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 in conjunction with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and notes thereto and the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K dated March 4, 2022. You should review the disclosure under "Part II, Item 1A - Risk Factors" in this Quarterly Report on Form 10-Q for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. These statements, like all statements in this report, speak only as of their date (unless another date is indicated), and we undertake no obligation to update or revise these statements in light of future developments. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to the "Company", "Procore", "we," "us" and "our" refer to Procore Technologies, Inc. and its consolidated subsidiaries.

Overview

Our mission is to connect everyone in construction on a global platform.

We are a leading provider of cloud-based construction management software, and are helping transform one of the oldest, largest, and least digitized industries in the world. We focus exclusively on construction, connecting and empowering the industry's key stakeholders, such as owners, general contractors, specialty contractors, architects, and engineers, to collaborate from any location, on any internet-connected device. Our platform is modernizing and digitizing construction management by enabling real time access to critical project information, simplifying complex workflows, and facilitating seamless communication among key stakeholders, all of which we believe positions us to serve as the tyke of record for the construction industry. Adoption of our platform helps customers increase productivity and efficiency, reduce rework and costly delays, improve safety and compliance, and enhance financial transparency and accountability.

In short, we build the software for the people that build the world.

We serve customers ranging from small businesses managing a couple million dollars of annual construction volume to global enterprises managing billions of dollars of annual construction volume. Our core customers are owners, general contractors, and specialty contractors operating across the commercial, residential, industrial, and infrastructure segments of the construction industry. We primarily sell subscriptions to access our products through our direct sales team, which is specialized by stakeholder, region, size, and type.

Our products are offered on our cloud-based platform and are designed to be easy to configure and deploy. Our users can access our products on computers, smartphones, and tablets through any web browser or from our mobile application available for both the iOS and Android platforms.

We generate substantially all of our revenue from subscriptions to access our products and have an unlimited user model that is designed to facilitate adoption and maximize usage of our platform by all project stakeholders. We sell our products on a subscription basis for a fixed fee with pricing generally based on the number and mix of products and the annual construction volume contracted to run on our platform. As our customers subscribe to additional products, or increase the annual construction volume contracted to run on our platform, we generate more revenue. We do not provide refunds for unused construction volume, or charge customers based on consumption or on a per project basis. Subscriptions to access our products include customer support and allow for unlimited users as we do not charge a per-seat or per-user fee. Customers can invite all project participants to engage with our platform as part of a project team. This includes the customer's employees and its collaborators, who are other project participants who engage with our platform but do not pay us for such use. Further, multiple stakeholders can be customers on the same project and retain access to project information for the duration of their subscription.

Certain Factors Affecting Our Performance

Acquiring New Customers and Retaining and Expanding Existing Customers' Use of Our Platform

We are highly focused on continuing to acquire new customers to support our long-term growth. We intend to efficiently drive new customer acquisitions by continuing to invest across our sales and marketing engine to engage our prospective customers, increase brand awareness, and drive adoption of our products and platform. The number of customers on our platform has increased from 10,868 as of March 31, 2021 to 12,809 as of March 31, 2022, reflecting a year-over-year growth rate of 20%. All customer counts aforementioned exclude the customers acquired from Levelset, LaborChart, and Esticom, Inc. ("Esticom"), as they are on non-standard legacy contracts. Levelset, LaborChart, and Esticom customers will be included in our

customer metrics when they are renewed onto standard Procore annual contracts. Levelset has more than 3,000 customers as of March 31, 2022.

Our ability to continue to grow our business and serve the broader needs of the construction industry depends on acquiring new customers, customers purchasing new products, renewing and expanding their use of existing products, and maintaining or increasing the price of our existing products.

Continued Technology Innovation and Expansion of Our Platform

We plan to continue to invest in technology innovation and product development to enhance the capabilities of our platform. Additional features and products will also enable customers and collaborators to manage new workflows on our platform and allow us to attract a broader set of stakeholders. We have introduced new products developed in-house and through our acquisition of Zimly, Inc., Horner Building, Inc., Construction BI, LLC, Edison, LaborChart, and Levelset. We intend to continue to invest in building additional products, financial offerings, features, and functionality that expand our capabilities and facilitate the extension of our platform. We also intend to continue to evaluate strategic acquisitions and investments in businesses and technologies to drive product and market expansion. Our acquisitions of LaborChart and Levelset closed in the fourth fiscal quarter of 2021, and, as such, we expect that expenses, both in dollars and as a percentage of total revenues, may increase from the current or historical periods. Our future success is dependent on our ability to successfully develop or acquire, market, and sell existing and new products to both new and existing customers.

International Growth

We see international expansion as a major, and largely greenfield, opportunity for growth as we look to capture a larger part of the worldwide construction market. We have started to grow our presence internationally with the opening of sales and marketing offices in Sydney, Australia and Vancouver and Toronto, Canada in 2017, London, England in 2018, Mexico City, Mexico in 2019, and Singapore, Republic of Singapore, Paris, France, Dublin, Ireland, and Dubai, United Arab Emirates in 2022. We have also developed focused sales and marketing efforts in Germany, where we do not yet maintain an office location. As a result of our international efforts, we support multiple languages and currencies.

Furthermore, we believe global demand for our products will continue to increase as we expand our international sales and marketing efforts, and the awareness of our products and platform grows. However, our ability to conduct our operations internationally will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal, tax and regulatory systems, alternative dispute systems, and commercial markets. We have made, and plan to continue to make, significant investments in existing and select additional international markets. While these investments may adversely affect our operating results in the near term, we believe they will contribute to our long-term growth.

COVID-19 Update

The ongoing COVID-19 pandemic has caused general business disruption worldwide beginning in January 2020. Some local governments temporarily closed construction jobsites or imposed restrictions on construction activity, such as limiting the number of workers allowed on site. Construction teams had to learn to navigate pandemic safety protocols on jobsites and coordinate already complex construction processes with increasingly distributed workforces. Owners had to reconfigure existing buildings to improve safety and consider new distancing requirements in project designs, all amid increased materials and labor costs. We believe that the COVID-19 pandemic has begun to change the way construction stakeholders operate by pushing them to adopt digital solutions that enable distances, distributed workforces. The impact of the COVID-19 pandemic and its effects on the construction industry continue to evolve, and the impact on our financial condition and results of operations remains uncertain.

Furthermore, the COVID-19 pandemic has spurred changes in the way we work as we move to a more hybrid workforce. Some of our employees have begun to return to in-person offices in 2022; however, that may change if the number of COVID-19 cases rises where our offices are located or if there is an increase in new variants, and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and business partners.

The full extent to which the COVID-19 pandemic, including any new variants, may directly or indirectly impact our business, results of operations, and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See the section titled "Risk Factors" for further discussion of the possible impact of the COVID-19 pandemic on our business and financial results.

Components of Results of Operations

Revenue

We generate substantially all of our revenue from subscriptions to access our products and related support. Subscriptions are sold for a fixed fee and revenue is recognized ratably over the term of the subscription. Our subscriptions generally have annual or multi-year terms, are typically subject to renewal at the end of the subscription term, and are non-cancelable. To the extent we invoice our customers in advance of revenue recognition, we record deferred revenue. Consequently, a portion of the revenue that we report each period is attributable to the recognition of revenue previously deferred related to subscriptions that we entered into during previous periods.

Cost of Revenue

Cost of revenue primarily consists of customer support personnel-related compensation expenses, including salaries, benefits, stock-based compensation, payroll taxes, commissions, and bonuses, third-party hosting costs, software license fees, amortization of acquired technology intangible assets, amortization of capitalized software development costs, and allocated overhead. We expect our cost of revenue to increase on an absolute dollar basis as our revenue and acquisition activities increase. We intend to continue to invest additional resources in platform hosting, customer support, and software development as we grow our business and to ensure that our customers are realizing the full benefit of our products. The level and timing of investment in these areas could affect our cost of revenue in the future.

Costs related to the development of internal-use software for new products and major platform enhancements are capitalized until the software is substantially complete and ready for its intended use. Capitalized software development costs are amortized on a straight-line basis over the developed software's estimated useful life of two years and the amortization is recorded in cost of revenue.

Subsequent to our IPO in 2021, we have incurred higher cost of revenue expenses as a result of stock-based compensation expense associated with restricted stock units ("RSUs") where the performance condition was satisfied upon the effective date of the registration statement for our IPO, and higher employer payroll taxes related to employee stock transactions. We anticipate additional stock-based compensation expense and employer payroll tax related to employee stock transactions going forward. In addition, we recorded and will continue to record significant amortization of acquired developed technology intangible assets as a result of our acquisitions of Levelset and LaborChart in the fourth quarter of 2021.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development, and general and administrative expenses. For each of these categories of expense, personnel-related compensation expenses are the most significant component, which include salaries, stock-based compensation, commissions, payroll taxes, bonuses, and benefits. To support the growth of our business, we also increased our headcount in each of these categories, including, to a limited extent, through our acquisitions.

Subsequent to our IPO in 2021, we have incurred higher operating expenses as a result of stock-based compensation expense associated with RSUs where the performance condition was satisfied upon the effective date of the registration statement for our IPO, and higher employer payroll taxes related to employee stock transactions. We anticipate additional stock-based compensation expense and employer payroll tax related to employee stock transactions going forward.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel-related compensation expenses for our sales and marketing organizations, advertising costs, marketing events, travel, trade shows and other marketing activities, contractor costs to supplement our staff levels, consulting services, amortization of acquired customer relationship intangible assets, and allocated overhead. We expense advertising and other promotional expenditures as incurred. We expect sales and marketing expenses to increase on an absolute dollar basis and vary from period to period as a percentage of revenue, as we increase our investment in sales and marketing efforts over the foreseeable future, primarily from increased headcount in sales and marketing as well as investment in marketing to drive customer growth.

Research and Development

Research and development expenses primarily consist of personnel-related compensation expenses for our engineering, product, and design teams, contractor costs to supplement our staff levels, consulting services, amortization of certain acquired intangible assets used in research and development activities, and allocated overhead. We expect research and development expenses to increase on an absolute dollar basis and vary from period to period as a percentage of revenue for the foreseeable

future as we continue to invest in headcount to build, enhance, maintain, and scale our products and platform.

General and Administrative

General and administrative expenses primarily consist of personnel-related compensation expenses for our finance, executive, human resources, information technology, legal, and other administrative functions. Additionally, general and administrative expenses include non-personnel-related expenses, such as professional fees for audit, legal, tax, and other external consulting services, including acquisition-related transaction expenses, costs associated with operating as a public company, including insurance costs, professional services, investor relations, and other compliance costs, property and use taxes, licenses, travel and entertainment costs, and allocated overhead. We expect to increase the size of our general and administrative functions to support the growth of our business, including our international expansion.

Interest Expense, Net

Interest expense, net consists primarily of interest expense associated with our finance leases and undrawn fees associated with our former credit agreement (the "Credit Facility"), terminated as of April 29, 2022, which was provided by Silicon Valley Bank, and which is partially offset by interest income from money market funds.

Other Income (Expense), Net

Other income (expense), net primarily consists of gain or loss on foreign currency transactions and miscellaneous other income.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes of U.S. state franchise taxes and certain foreign jurisdictions in which we conduct business, net of the release of valuation allowance as a result of deferred tax liabilities from acquisitions that are an available source of income to realize our deferred tax assets. As we expand our international operations, we expect to incur increased foreign tax expenses. We have a full valuation allowance for net U.S. and U.K. deferred tax assets. The U.S. valuation allowance includes net operating loss ("NOL") carryforwards, and tax credits related primarily to research and development for our operations in the United States. The U.K. valuation allowance is primarily comprised of NOL carryforwards. We expect to maintain this full valuation allowance for our net U.S. and U.K. deferred tax assets for the foreseeable future.

Results of Operations

The following tables set forth our condensed consolidated statements of operations data and such data as a percentage of revenue for each of the periods indicated. Certain percentages below may not sum due to rounding.

Three Months Ended March 31,			
	2022	2021	
(in thousands)			
Revenue	\$	\$	113,938
Cost of revenue (1)(2)(3)			33,332
Gross profit			80,606
Operating expenses:			
Sales and marketing (1)(2)(3)(4)			23,915
Research and development (1)(2)(3)(4)			60,254
General and administrative (1)(2)(4)			43,126
Total operating expenses			127,295
Loss from operations			(46,689)
Interest expense, net			(491)
Other income (expense), net			543
Loss before provision for income taxes			(46,637)
Provision for income taxes			334
Net loss			(46,303)
Three Months Ended March 31,			
	2022	2021	
(as a percentage of revenue)			
Revenue			100%
Cost of revenue (1)(2)(3)			29%
Gross profit			71%
Operating expenses:			
Sales and marketing (1)(2)(3)(4)			21%
Research and development (1)(2)(3)(4)			53%
General and administrative (1)(2)(4)			37%
Total operating expenses			111%
Loss from operations			(41%)
Interest expense, net			(0%)
Other income (expense), net			(0%)
Loss before provision for income taxes			(41%)
Provision for income taxes			0%
Net loss			(41%)

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

	Three Months Ended March 31			
	2022		2021	
	(in thousands)			
Cost of revenue	\$	1,458	\$	1,161
Sales and marketing		10,296		3,252
Research and development		13,008		3,246
General and administrative		12,447		2,644
Total stock-based compensation expense	\$	37,207	\$	10,303

(2) Includes amortization of acquired intangible assets as follows:

	Three Months Ended March 31,			
	2022		2021	
	(in thousands)			
Cost of revenue	\$	5,664	\$	1,086
Sales and marketing		3,106		479
Research and development		902		183
Total amortization of acquired intangible assets	\$	9,662	\$	1,748

(3) Includes employee payroll tax on employee stock transactions as follows:

	Three Months Ended March 31			
	2022		2021	
	(in thousands)			
Cost of revenue	\$	81	\$	4
Sales and marketing		608		142
Research and development		1,027		74
General and administrative		945		80
Total employee payroll tax on employee stock transactions	\$	2,281	\$	300

(4) Includes acquisition-related expenses as follows:

	Three Months Ended March 31,			
	2022		2021	
	(in thousands)			
Sales and marketing	\$	207	\$	-
Research and development		1,101		-
General and administrative		1,038		-
Total acquisition-related expenses	\$	2,346	\$	-

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

	Three Months Ended March 31,		Change	
	2022	2021	Dollar	Percent
		(dollars in thousands)		
Revenue	\$ 159,516	\$ 111,938	\$ 47,578	40%

During the three months ended March 31, 2022, our revenue increased by \$47.6 million, or 40%, compared to the three months ended March 31, 2021, which is primarily due to expansion within our existing customers and revenue from new customers added during the year. The acquisition of Levelset in November 2021 contributed \$6.9 million in revenue in the first quarter of 2022. Revenue from our other acquisitions in 2021 was not material in the first quarter of 2022. The increase in revenue from existing customers includes the net benefit of a full quarter of subscription revenue in 2022 from customers that were newly acquired in 2021 and continued their subscriptions in the first quarter of 2022, and customers that expanded their subscriptions in 2022 through the purchase of additional construction volume or products, as well as price increases.

Cost of Revenue, Gross Profit, and Gross Margin

	Three Months Ended March 31,		Change	
	2022	2021	Dollar	Percent
		(dollars in thousands)		
Cost of revenue	\$ 33,332	\$ 20,359	\$ 12,973	64%
Gross profit	126,184	91,579	32,605	35%
Gross margin	79%	82%		

The increase in cost of revenue during the three months ended March 31, 2022 was primarily attributable to an increase of \$4.6 million in amortization of acquired developed technology intangible assets related to recent acquisitions, and an increase of \$4.5 million in personnel-related expenses driven by headcount and merit increases. The increase in cost of revenue was also attributable to a \$2.3 million increase in third-party cloud hosting and related services as we grow our customer base. We increased our cost of revenue headcount by 51% since March 31, 2021 in order to continue to support the growth of our business.

Operating Expenses

	Three Months Ended March 31,		Change	
	2022	2021	Dollar	Percent
		(dollars in thousands)		
Sales and marketing	\$ 93,915	\$ 63,960	\$ 29,955	47%

The increase in sales and marketing expenses during the three months ended March 31, 2022 was primarily attributable to an increase of \$28.1 million in personnel-related expenses, including an increase of \$20.6 million in salaries and wages driven by headcount and merit increases, and an increase of \$7.0 million in stock-based compensation expense. Stock-based compensation expense increased primarily due to RSUs where the performance condition was satisfied upon the effectiveness date of the registration statement for the IPO. The increase in sales and marketing expenses was also attributable to a \$2.6 million increase in amortization of acquired customer relationship intangible assets related to recent acquisitions, a \$2.3 million increase in marketing events and expenses, a \$2.1 million increase in professional fees primarily for contractors to supplement our staff levels, and a \$2.0 million increase in travel-related costs. We increased our sales and marketing headcount by 48% since March 31, 2021 in order to continue to drive customer growth.

	Three Months Ended March 31,		Change	
	2022	2021	Dollar	Percent
	(dollars in thousands)			
Research and development	\$ 60,254	\$ 34,545	\$ 25,709	74%
The increase in research and development expenses during the three months ended March 31, 2022 was primarily attributable to an increase of \$20.8 million in personnel-related expenses, including an increase of \$10.1 million in salaries and wages driven by headcount and merit increases, and an increase of \$5.8 million in stock-based compensation expense. Stock-based compensation expense increased primarily due to RSUs where the performance condition was satisfied upon the effectiveness date of the registration statement for the IPO. We increased our research and development headcount by 54% since March 31, 2021 in order to continue to build, enhance, maintain, and scale our products and platform.				
	Three Months Ended March 31,		Change	
	2022	2021	Dollar	Percent
	(dollars in thousands)			
General and administrative	\$ 43,152	\$ 17,627	\$ 25,525	141%
The increase in general and administrative expenses during the three months ended March 31, 2022 was primarily due to an increase of \$16.5 million in personnel-related expenses, including an increase of \$5.8 million in stock-based compensation expense and a \$6.6 million increase in salaries and wages driven by headcount and merit increases. Stock-based compensation expense increased primarily due to RSUs where the performance condition was satisfied upon the effectiveness date of the registration statement for the IPO. The increase in general and administrative expenses was also attributable to a \$3.4 million increase in professional fees primarily for contractors and consultants to supplement our staff levels. We increased our general and administrative headcount by 61% since March 31, 2021 in order to continue to support the growth of our business.				
Interest Expense, Net, Other Income (Expense), Net, and Provision for Income Taxes				
	Three Months Ended March 31,		Change	
	2022	2021	Dollar	Percent
	(dollars in thousands)			
Interest expense, net	\$ 491	\$ 662	\$ (71)	(13%)
Other income (expense), net	543	(183)	726	*
Provision for income taxes	334	129	205	159%
* Percentage not meaningful				
The change in other income (expense), net during the three months ended March 31, 2022 was primarily due to foreign currency gains related to changes in Australian and Canadian dollar exchange rates.				
Non-GAAP Financial Measures				
In addition to our results determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we believe certain non-GAAP measures, as described below, are useful in evaluating our operating performance. We use this non-GAAP financial information, collectively, to evaluate our ongoing operations as well as for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, is helpful to investors because it provides consistency and comparability with past financial performance, and may assist in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results.				
The non-GAAP financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with GAAP and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.				

Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Loss from Operations, and Non-GAAP Operating Margin

We define these non-GAAP financial measures as the respective GAAP measures, excluding stock-based compensation expense, amortization of acquired intangible assets, employer payroll tax related to employee stock transactions, and acquisition-related expenses. Acquisition-related expenses include external and incremental transaction costs, such as legal and due diligence costs, and retention payments. These expenses are unpredictable, and generally would not have otherwise been incurred in the periods presented as part of our continuing operations. In addition, the size and complexity of an acquisition, which often drives the magnitude of acquisition-related expenses, may not be indicative of such future costs. We believe excluding acquisition-related expenses facilitates the comparison of our financial results to the Company's historical operating results and to other companies in our industry.

The following tables present reconciliations of our GAAP financial measures to our non-GAAP financial measures as of the periods presented:

Reconciliation of gross profit and gross margin to non-GAAP gross profit and non-GAAP gross margin:

	Three Months Ended March 31,	
	2022	2021
	(dollars in thousands)	
Revenue	\$ 113,938	\$ 113,938
Gross profit	125,184	93,579
Stock-based compensation expense	1,498	1,181
Amortization of acquired technology intangible assets	5,854	1,086
Employer payroll tax on employee stock transactions	81	5
Non-GAAP gross profit	\$ 133,377	\$ 95,835
Gross margin	79%	82%
Non-GAAP gross margin	84%	84%

Reconciliation of operating expenses to non-GAAP operating expenses:

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 109,916	\$ 113,938
GAAP sales and marketing	\$ 83,915	\$ 83,965
Stock-based compensation expense	(15,396)	(3,252)
Amortization of acquired intangible assets	(3,106)	(479)
Employer payroll tax on employee stock transactions	(903)	(142)
Acquisition-related expenses	(207)	-
Non-GAAP sales and marketing	\$ 59,299	\$ 50,292
GAAP sales and marketing as a percentage of revenue	59%	45%
Non-GAAP sales and marketing as a percentage of revenue	50%	44%
GAAP research and development	\$ 60,254	\$ 34,545
Stock-based compensation expense	(13,398)	(3,249)
Amortization of acquired intangible assets	(902)	(183)
Employer payroll tax on employee stock transactions	(1,827)	(74)
Acquisition-related expenses	(1,351)	-
Non-GAAP research and development	\$ 44,816	\$ 31,042
GAAP research and development as a percentage of revenue	55%	30%
Non-GAAP research and development as a percentage of revenue	28%	27%
GAAP general and administrative	\$ 43,162	\$ 17,927
Stock-based compensation expense	(12,447)	(2,644)
Employer payroll tax on employee stock transactions	(545)	(80)
Acquisition-related expenses	(1,038)	-
Non-GAAP general and administrative	\$ 29,132	\$ 16,209
GAAP general and administrative as a percentage of revenue	27%	16%
Non-GAAP general and administrative as a percentage of revenue	18%	13%

Reconciliation of loss from operations and operating margin to non-GAAP loss from operations and non-GAAP operating margin:

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 109,916	\$ 113,938
Loss from operations	(71,137)	(12,858)
Stock-based compensation expense	37,298	10,303
Amortization of acquired intangible assets	9,862	1,748
Employer payroll tax on employee stock transactions	2,261	300
Acquisition-related expenses	2,348	-
Non-GAAP loss from operations	\$ (19,468)	\$ (602)
Operating margin	(45%)	(11%)
Non-GAAP operating margin	(12%)	(0%)

Liquidity and Capital Resources

Historically, we financed our operations principally through private placements of our equity securities. In May 2021, we received \$865.1 million in net proceeds from our IPO.

As of March 31, 2022, our principal sources of liquidity are cash and cash equivalents of \$586.9 million, which were held in checking accounts, savings accounts, and highly liquid money market funds. On April 29, 2022, we terminated our Credit Facility. Upon termination of the Credit Facility, our outstanding letters of credit, issued by Silicon Valley Bank, remain outstanding on an unsecured basis, without any requirement to set aside restricted cash.

Levelset also has a materials finance business that finances customers' purchases of construction materials and offers customers deferred payment terms. The materials finance business is currently immaterial, but is expected to grow in the future, which may impact our liquidity.

We believe our existing cash and cash equivalents will be sufficient to meet our needs for at least the next 12 months. While we have recently generated positive cash flows from operations, we have generated losses from operations in the past as reflected in our accumulated deficit of \$733.6 million as of March 31, 2022. We may not achieve profitability in the foreseeable future and may require additional capital resources to execute strategic initiatives to grow our business.

This assessment is a forward-looking statement and involves risks and uncertainties. Our additional future capital requirements will depend on many factors, including our revenue growth rate, new customer acquisition and subscription renewal activity, timing of billing activities, our ability to integrate the companies or technologies we acquire and realize synergies and financial benefits from our investments and acquisitions, the timing and extent of spending to support further sales and marketing and research and development efforts, general and administrative expenses to support our growth, including international expansion, and the ongoing impact of the COVID-19 pandemic. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing to fund these activities. If we are unable to raise additional capital when desired, or on acceptable terms, our business, results of operations, and financial condition could be materially adversely affected.

There have been no material changes to our contractual obligations from those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K dated March 4, 2022. Further, as of March 31, 2022, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Net cash provided by operating activities	\$ 10,364	\$ 28,296
Net cash used in investing activities	(16,195)	(4,586)
Net cash provided by financing activities	6,542	10,773

Operating Activities

Our largest source of cash from operating activities is collections from the sales of subscriptions to our customers. Our primary uses of cash from operating activities are for personnel expenses, marketing expenses, hosting and software license expenses, and overhead.

Net cash provided by operating activities was \$10.3 million during the three months ended March 31, 2022 which resulted from a net loss of \$71.4 million, adjusted for non-cash charges of \$53.7 million and a net cash inflow of \$28.0 million from changes in operating expenses and liabilities. The \$23.0 million of net cash inflows provided as a result of changes in our operating assets and liabilities primarily reflected the following:

- a \$34.1 million decrease in accounts receivable primarily due to timing of billings and cash receipts from customers; and
- an \$8.8 million increase in deferred revenue primarily due to the growth of our business and timing of billings.

These changes in our operating assets and liabilities were partially offset by the following:	
•	▪ a \$4.9 million increase in prepaid expenses and other assets primarily due to timing of cash payments to our vendors;
•	▪ a \$4.4 million decrease in accrued expenses and other liabilities primarily due to timing of 2021 corporate bonus payout to our employees in the first quarter of 2022, payroll, cash payments to our vendors, and accrued employee stock purchase plan ("ESPP") contributions;
•	▪ a \$4.1 million increase in deferred contract cost assets related to commissions as a result of additional customer contracts closed during the period; and
•	▪ a \$1.9 million decrease in operating lease liabilities related to lease payments.
Net cash provided by operating activities was \$28.3 million during the three months ended March 31, 2021, which resulted from a net loss of \$13.7 million, adjusted for non-cash charges of \$20.6 million and net cash inflow of \$21.4 million from changes in operating assets and liabilities. The \$21.4 million of net cash inflows provided as a result of changes in our operating assets and liabilities primarily reflected the following:	
•	▪ a \$20.7 million decrease in accounts receivable primarily due to timing of billings and cash receipts from customers;
•	▪ a \$6.6 million increase in deferred revenue primarily due to the growth of our business and timing of billings; and
•	▪ a \$5.1 million increase in accrued expenses and other liabilities primarily due to timing of payroll and cash payments to our vendors.
These changes in our operating assets and liabilities were partially offset by the following:	
•	▪ a \$4.8 million increase in prepaid expenses and other assets primarily due to timing of cash payments to our vendors; and
•	▪ a \$3.5 million decrease in accounts payable, primarily due to timing of cash payments to our vendors.
Investing Activities	
Net cash used in investing activities of \$16.2 million during the three months ended March 31, 2022 consisted of capitalized software development costs of \$7.6 million, purchases of property and equipment of \$7.5 million primarily related to improvements to our leased office spaces and computer equipment purchases, and strategic investments of \$2.3 million, partially offset by \$1.3 million in cash receipts from post-close working capital adjustments related to our acquisitions of Levelset and LaborChart in the fourth quarter of 2021.	
Net cash used in investing activities of \$4.6 million during the three months ended March 31, 2021 consisted of purchases of property and equipment of \$2.4 million primarily related to computer equipment purchases, and capitalized software development costs of \$2.2 million.	
Financing Activities	
Net cash provided by financing activities of \$6.5 million during the three months ended March 31, 2022 consisted of \$6.9 million in proceeds from stock option exercises, partially offset by \$0.4 million in payments on our finance lease obligations.	
Net cash provided by financing activities of \$10.8 million during the three months ended March 31, 2021 consisted of proceeds from stock option exercises of \$11.6 million, partially offset by payments of offering costs of \$0.5 million in connection with the anticipated IPO and sale of our common stock.	
Credit Facility	
Our Credit Facility provided for debt financing of up to \$75.0 million to be used for general corporate purposes, including the financing of working capital requirements, and was secured by a blanket lien on the Company's assets, until it was terminated on April 29, 2022, prior to its maturity date on May 7, 2022. As of March 31, 2022, no amounts had been drawn down under the Credit Facility, and we were in compliance with all covenants.	
As of March 31, 2022, we had issued letters of credit totaling \$6.5 million to secure various U.S. and Australia leased office facilities. Upon termination of the Credit Facility, our current letters of credit, issued by Silicon Valley Bank, remain outstanding on an unsecured basis, without any requirement to set aside restricted cash.	

Remaining Performance Obligations

Our subscriptions typically have a term of one to three years. The transaction price allocated to remaining performance obligations under our subscriptions represents the contracted transaction price that has not yet been recognized as revenue, which includes deferred revenue and amounts under non-cancelable subscriptions that will be invoiced and recognized as revenue in future periods. As of March 31, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was \$926.7 million, 71% of which is expected to be recognized as revenue in the next 12 months and substantially all of the remainder between 12 and 36 months thereafter. We expect remaining performance obligations to change from period to period primarily due to the size, timing and duration of new customer contracts and customer renewals.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those accounting policies and estimates that are both the most important to the portrayal of our net assets and results of operations and require the most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. These estimates are developed based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Critical accounting estimates are accounting estimates where the nature of the estimates are material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and the impact of the estimates on financial condition or operating performance is material.

Our significant accounting policies are more fully described in Note 2 of our condensed consolidated financial statements. Our critical accounting policies and more significant judgments and estimates used in the preparation of our financial statements are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K dated March 4, 2022. There have been no significant changes to these policies for the three months ended March 31, 2022.

JOBS Act Accounting Election

The Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") permits an "emerging growth company" such as us to delay the adoption of new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We intend to rely on other exemptions provided by the JOBS Act, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

We will remain an emerging growth company until the earliest to occur of: (1) the last day of our first fiscal year in which we have total annual revenues of more than \$1.07 billion; (2) the date we qualify as a "large accelerated filer," with at least \$700 million of equity securities held by non-affiliates; (3) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period; and (4) the last day of the fiscal year ending after the fifth anniversary of our IPO.

Recent Accounting Pronouncements

See "Summary of Significant Accounting Policies" in Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a description of recently issued accounting pronouncements.

Item 1. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency and Exchange Risk

The vast majority of our cash generated from revenue is denominated in U.S. dollars, with a small amount denominated in Australian dollars, Canadian dollars, Great British pounds, and Euros. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, Australia, Canada, England, Mexico, Egypt, and Singapore. Our results of current and future operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our condensed consolidated financial statements during any of the periods presented. As the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

Interest Rate Risk

We had cash, cash equivalents, and restricted cash of \$590.0 million as of March 31, 2022. Cash, cash equivalents, and restricted cash consist of checking accounts, savings accounts, and money market funds. The cash and cash equivalents are held for working capital and general corporate purposes. The restricted cash is used as collateral to satisfy certain contractual arrangements related to corporate credit cards. Interest-earning instruments carry a degree of interest rate risk. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. As of March 31, 2022, a hypothetical 10% increase or decrease in interest rates would not have a material impact on the fair market value of our portfolio. We therefore do not expect our results of operations or cash flows to be materially affected by a sudden change in market interest rates.

Inflation Risk

Inflation can have a positive impact on our pricing since increased construction costs may increase construction volume purchased by customers, however supply chain challenges and labor shortages can result in delayed construction project starts, which may negatively impact construction volume purchased. Inflation can also result in higher personnel-related costs. We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations, or financial condition.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

(b) Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. We continue to integrate policies, processes, people, technology, and operations relating to our acquisition of Levelist and will continue to evaluate the impact of any related changes to our internal control over financial reporting. Our chief executive officer and chief financial officer concluded that there has not been any change in our internal control over financial reporting during the period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on Effectiveness of Controls and Procedures

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and the related notes thereto, before making a decision to invest in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We have experienced rapid growth in recent periods, and such growth may not be indicative of our future growth. If we fail to properly manage future growth, our business, financial condition, results of operations, and prospects could be materially adversely affected.

We have experienced rapid growth in recent periods. Our revenue was \$159.5 million and \$113.9 million for the three months ended March 31, 2022 and 2021, respectively. Even if our revenue continues to increase, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. Our overall revenue growth depends on a number of factors, including our ability to:

- attract new customers and expand sales of subscriptions to our existing customers;
- increase sales to owners and specialty contractors, as well as monetize additional new stakeholders;
- develop new products, further improve our existing products, and expand our App Marketplace with additional third-party applications;
- provide our customers and collaborators with support that meets their needs;
- invest financial and operational resources to support future growth in our customer, collaborator, and third-party relationships;
- expand our operations domestically and internationally;
- retain and motivate existing personnel, and attract, integrate, and retain new personnel, particularly to our sales and marketing and engineering and product development teams;
- successfully identify, acquire, and integrate businesses, products, or technologies that we believe could complement or expand our platform;
- effectively plan for and model future growth; and
- compete with other providers of construction management software.

If we are not able to maintain revenue growth or accurately forecast future growth, we may not meet analyst expectations, which would likely cause a decline in our stock price. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance.

Our opportunity for future growth also depends on changes in our customers' budgetary constraints, regulatory and macroeconomic conditions, and economic conditions and business practices within the construction industry. To the extent we do not effectively address these risks, some of which are out of our control, our business, financial condition, results of operations, and prospects could be materially adversely affected.

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

We have a history of losses, and we may not achieve or sustain profitability in the future. We incurred net losses of \$17.4 million and \$13.7 million for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, we had an accumulated deficit of \$733.6 million. We are not certain whether or when we will be able to achieve or sustain profitability in the future. We also expect our expenses to increase in future periods as we continue to invest in growth, which could negatively affect our future results of operations if our revenue does not increase. In particular, we intend to continue to expend substantial financial and other resources on:

- expanding our sales and marketing and customer success teams to drive new subscriptions, increase the use of our products and platform by existing customers, and support our international expansion;
- our technology infrastructure, including systems architecture, scalability, availability, performance, and security;
- investments in our engineering and product development teams and the development of new products and platform functionality;
- acquisitions, joint ventures, or strategic investments; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue or profitable growth. Any failure to increase our revenue as we invest in our business, or to manage our costs, could prevent us from achieving or maintaining profitability or positive cash flow. We may also incur significant losses in the future for a number of reasons, including the other risks described in this Quarterly report on Form 10-Q, and unforeseen expenses, difficulties, complications, delays, and other unknown events. If we are unable to successfully address these risks and challenges, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Our business may be significantly impacted by changes in the economy and related reductions in spend across the construction industry.

Our business may be affected by changes in the economy. The construction industry in particular is impacted by economic slowdowns, tightening of economic policies, tariffs on imported goods, inflation, supply chain disruptions, labor shortages, commodity prices, and policies that reduce government spending. Unfavorable or deteriorating market conditions, reductions in the rate of construction growth, decreases in lending activity, reductions in government spending and funding of infrastructure or other construction projects, government shutdowns, delays in the sale of voter-approved bonds, credit rating downgrades, reduced demand for public projects, and any resulting effects on spending by our customers or prospective customers, could have an adverse impact on our business. Our revenue may decrease because customers may generally choose to purchase less construction software in times of unfavorable economic conditions. Furthermore, if the construction industry experiences a decrease in overall construction volume, the amount our customers pay for our products could be reduced as we generally price our products based on a customer's annual construction volume, which is the fixed aggregate dollar volume of construction work contracted to run on our platform annually. To the extent we do not effectively address these risks and challenges, our business, financial condition, results of operations, and prospects could be materially adversely affected.

The construction management software industry is evolving and may not develop in ways we expect.

The construction management software industry is evolving. Widespread acceptance and use of construction management technology in general, and our platform in particular, is critical to our future growth and success. While we believe that our construction management software addresses a significant market opportunity, a viable market for it may never develop or it may develop more slowly than we expect. If a viable market for construction management software does not develop further or develops more slowly than we expect, our business, financial condition, results of operations, and prospects could be materially adversely affected. Demand for construction management software in general, and our products in particular, is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- general awareness of construction management software;
- availability, functionality, and pricing of products and services that compete with ours;
- new construction methods that may be developed or become more prevalent in the future, including greater use of prefabrication methods;
- government funding;
- ease of adoption and use;

- features and platform experience;
- the reliability, performance, or perceived performance of our products and platform, including interruptions to the use of our products and platform;
- the development and awareness of our brand; and
- security or data privacy breaches of our products or platform.

If we are unable to successfully address these potential factors, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Our current and future products and features may not be widely accepted by our customers, and we may not be able to respond to technological changes or changes in customer demands and preferences, or develop new products and functionality.

Our ability to grow our customer base and increase revenue from customers will depend heavily on our ability to enhance and improve our platform, respond to changes in customer demands and preferences, introduce new products, and interoperate across an increasing range of devices, operating systems, and third-party applications. We may introduce significant changes to our existing products or develop and introduce new and unproven products, including technologies with which we have little or no prior development or operating experience. Our customers may also demand features and capabilities that our current products do not have, or that our current platform cannot support, and we may need to invest significantly in research and development to build these features and capabilities. Any new products and features may fail to engage, retain, and increase our customer base or may suffer a lag in customer adoption. New products may initially suffer from performance and quality issues that may negatively impact our ability to market and sell such products to new and existing customers. Competitors may also develop and introduce new products or entirely new technologies to replace our existing products, which could make our platform obsolete or adversely affect our business. There is no assurance that any enhancements to our platform or new products, features, or capabilities will be compelling to our customers or gain market acceptance. Additionally, we may experience difficulties with software development, design, or marketing that could delay or prevent our development, introduction, or implementation of new products, features, or capabilities. We have in the past experienced delays in our internally planned release dates of new products, features, and capabilities, and there can be no assurance that new products, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by customers brought against us, all of which could harm our business. If our research and development investments do not accurately anticipate user demand, or if we fail to develop our products, features, or capabilities in a manner that satisfies customer needs in a timely and cost-effective manner, we may fail to retain our existing customers or increase demand for our products, which could materially adversely affect our business, financial condition, results of operations, and prospects.

We are continuing to expand our operations outside the United States, where we may be subject to increased business, regulatory, and economic risks that could materially adversely affect our business, financial condition, results of operations, and prospects.

We had customers running projects in over 150 countries as of December 31, 2021, and 15% of our revenue in 2021 was generated from customers outside the United States. As of December 31, 2021, we have established offices globally to support our sales and marketing efforts in the surrounding regions. We expect to continue to expand our international operations, which may include opening offices in new jurisdictions and providing our products in additional languages. Any new markets or countries into which we attempt to sell subscriptions to access our products may not be receptive to our efforts. For example, we may not be able to expand further in some markets if we are not able to adapt our products to fit the needs of prospective customers in those markets or if we are unable to satisfy certain government- and industry-specific laws or regulations. In addition, future international expansion will also require considerable management attention and the investment of significant resources while subjecting us to new risks and increasing certain risks that we already face, including risks associated with:

- recruiting and retaining talented and capable employees outside the United States, including employees who speak multiple languages and come from a wide variety of different cultural backgrounds and customs;
- maintaining our company culture across all of our global offices;
- providing our products and platform in different languages and customizing them to support local requirements;
- compliance with applicable international laws and regulations, including laws and regulations with respect to employment, construction, privacy, data protection, consumer protection, unsolicited email, and unauthorized practice of law, and the risk of penalties and fines against us and individual members of management or employees if our practices are deemed to be out of compliance;

- managing an employee base in jurisdictions with differing employment regulations;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States and navigating the practical enforcement of such intellectual property rights outside of the United States;
- the risk of changes in foreign laws that could restrict our ability to use our intellectual property outside of the foreign jurisdiction in which we developed it;
- compliance by us and our partners with anti-corruption laws, competition laws, import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory limitations on our ability to provide our products or platform in certain international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;
- political and economic instability (including as a result of the COVID-19 pandemic or the military conflict involving Russia and Ukraine);
- the COVID-19 pandemic or any other pandemics or epidemics that could result in decreased economic activity in certain markets, decreased use of our products and services, or in our decreased ability to sell our products and services to existing or new customers in international markets;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- potential double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate; and
- higher costs of doing business internationally, including increased accounting, tax, travel, infrastructure, and legal compliance costs.

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business. We may be unable to keep current with changes in laws and regulations as they occur. Although we have implemented policies and procedures designed to support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, and agents will comply. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, we may need to relocate or cease operations in certain foreign jurisdictions, which could materially adversely impact our business, financial condition, results of operations, and prospects.

In addition, due to the Russia and Ukraine conflict, the United States, European Union ("EU"), and other nations announced various sanctions against Russia and Belarus. The military conflict and the retaliatory measures that have been taken, and could be taken in the future, by the U.S., EU, and other jurisdictions against Russia and Belarus have created global security concerns that could result in a regional conflict and otherwise have a lasting impact on regional and global economies, any or all of which could adversely affect our business.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to maintain and expand our customer base will be impaired, and our business will be harmed.

We believe that the Procore brand identity and awareness is critical to our sales and marketing efforts. We also believe that maintaining and enhancing the Procore brand is critical to maintaining and expanding our customer base and, in particular, conveying to customers and collaborators that our platform offers capabilities that address the needs of the construction ecosystem throughout the project lifecycle. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Any unfavorable publicity or perception of our products or platform or the providers of construction management software generally, could adversely affect our reputation and our ability to attract and retain customers. If we fail to promote and maintain the Procore brand, or if we incur increased expenses in this effort, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Our ability to increase our customer base and achieve broader market acceptance of our products will significantly depend on our ability to develop and expand our sales and marketing capabilities, the failure of which could materially adversely impact our business, financial condition, results of operations, and prospects.

Sales of subscriptions to access our products will depend to a significant extent on our ability to expand our sales and marketing capabilities. It is difficult to predict customer demand, customer retention and expansion rates, the size and growth

rate of the market, the entry of competitive products, or the success of existing competitive products. Our sales efforts involve educating prospective customers about the uses and benefits of our products and platform. We expect that we will continue to need intensive sales efforts to educate prospective customers about the uses and benefits of our construction management software, and we may have difficulty convincing prospective customers of the value of adopting our products. We plan to continue expanding our salesforce, both domestically and internationally, identifying, recruiting, and training qualified sales representatives is time-consuming and resource-intensive, and they may not be fully trained and productive for a significant amount of time following their hiring. Even in addition, the cost to acquire customers is high due to these considerable sales and marketing efforts. Our business will be harmed if our efforts do not generate a correspondingly significant increase in revenue. Even if we are successful in convincing prospective customers of the value of our products, they may decide not to purchase our products for a variety of reasons, some of which are out of our control. We spend substantial time and resources on our sales efforts without any assurance that our efforts will result in a sale. The failure of our efforts to secure sales after investing resources in a lengthy sales process could materially adversely affect our business, financial condition, results of operations, and prospects.

We operate in a competitive market, and we must continue to compete effectively.

The market for our products is highly competitive and rapidly changing. Certain features of our current platform compete with:

- aggregated construction management products;
- accounting software vendors;
- point solution software vendors in various categories, including analytics, bidding, building information modeling, compliance, and scheduling, among others; and
- in-house specialized tools or processes built by or for existing or prospective customers.

With the introduction of new products, technologies, and market entrants in the construction management software industry, we expect competition to intensify in the future. Further, many of our actual and potential competitors benefit from competitive advantages over us, such as better name recognition, longer operating histories, larger marketing budgets, existing or more established relationships, greater third-party integration, access to larger customer bases, and greater financial, technical, pricing and marketing strategies, and other resources. Some of our competitors may make acquisitions or enter into strategic relationships with third parties to offer a broader range of products than we do. These combinations may make it more difficult for us to effectively compete. We expect these competitive dynamics to continue as competitors attempt to strengthen or maintain their market positions.

Many factors, including our marketing, user acquisition and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. We currently sell our products at a premium as compared to some of our competitors. Certain competitors offer, or may in the future offer, lower-priced or free products or services that compete with our products or may bundle and offer a broader range of products or services. We may not be able to compete at such lower price points or with such product configurations. Similarly, competitors may use marketing strategies that enable them to acquire customers at a lower cost than we can. There can be no assurance that we will not be forced to engage in price-cutting initiatives or other discounts or to increase our marketing and other expenses, to attract and retain customers in response to competitive pressures, any of which could materially adversely affect our business, financial condition, results of operations, and prospects.

Our results of operations may fluctuate significantly, which could make our future results difficult to predict and could cause our results of operations to fall below expectations.

Our results of operations may vary significantly from period to period, which could materially adversely affect our business, financial condition, results of operations, and prospects. We expect that our results of operations will vary as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to increase the number of new customers and retain and expand our existing customers' use of our products;
- the timing and success of new products introduced by us or our competitors;
- the budgeting cycles, government funding of projects, and purchasing practices of customers;
- general economic conditions, both domestically and in foreign markets;
- reduction in construction spending in the public or private sectors;

- changes in customer or collaborator requirements or market needs;
- changes in the way we organize and compensate our employees;
- whether the construction management software industry develops at all or develops more slowly than we expect;
- our ability to successfully expand our business domestically and internationally;
- the timing and length of our sales cycles;
- our ability to complete sales transactions in a timely, predictable and effective manner, if at all;
- our ability to attract, develop, motivate, and retain management and other skilled personnel;
- the amount and timing of operating costs and capital expenditures related to the expansion of our business;
- changes in the competitive landscape of our market, including consolidation among competitors or customers;
- changes in our pricing policies or those of our competitors;
- insolvency or credit difficulties affecting our customers' ability to purchase or pay for our products;
- significant security breaches of, technical difficulties with, or interruptions to, the use of our products or platform;
- unusual expenses such as litigation or other dispute-related settlement payments or outcomes, or costs of responding to regulatory inquiries or actions;
- health epidemics or pandemics, such as the COVID-19 pandemic;
- future accounting pronouncements or changes in our accounting policies or practices; and
- increases or decreases in our results caused by fluctuations in foreign currency exchange rates.

If we lose key management personnel or if we are unable to retain or hire additional qualified personnel, we may not be able to achieve our strategic objectives and our business, financial condition, results of operations, and prospects could be materially adversely affected.

Our future success is substantially dependent on our ability to attract, retain, and motivate the members of our management team and other key personnel throughout our organization. In particular, we are highly dependent on the services of Mr. Courtemanche, our founder, President, and Chief Executive Officer, who is critical to our ability to achieve our vision and strategic priorities. We rely on our management team in the areas of operations, security, research and development, sales and marketing, support, and general and administrative functions. Although we have entered into offer letters with our key personnel, including our executive officers, work for us on an "at-will" basis, which means they may terminate their employment with us at any time. If Mr. Courtemanche or one or more of our key personnel or members of our management team resigns or otherwise ceases to provide us with their services, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Our continued success is also dependent on our ability to attract and retain other qualified personnel possessing a broad range of skills and expertise. There is significant competition for personnel with the skills and technical knowledge that we require across our product and platform development, sales, customer success, and general and administrative functions. In particular, to continue to enhance our products, develop new products, and add new and innovative functionality, it will be critical for us to continue to grow our research and development teams, including hiring highly skilled engineers, product managers, and designers with experience in designing, developing, and testing cloud-based software. We may need to offer higher compensation and other benefits to attract and retain key personnel in the future, and to attract top talent, we must offer competitive compensation packages before we have the opportunity to validate the productivity and effectiveness of new personnel. Many of the companies with which we compete for experienced personnel have greater name recognition and financial resources. If we hire employees from competitors or other companies, their former employers may attempt to assert that we or those employees have breached the employer's legal obligations, resulting in a diversion of our time and resources. Additionally, we may not be able to hire new personnel quickly enough to meet our needs. If we fail to meet our hiring needs or successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity, and retention could all suffer. Any of these factors could materially adversely affect our business, financial condition, operating results, and prospects.

We are subject to stringent and changing obligations related to data privacy and security, and our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm, loss of revenue or profits, loss of customers or sales, and other adverse consequences, any of which could materially adversely affect our business, financial condition, results of operations, and prospects.

In the ordinary course of business, we collect, receive, store, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share (collectively, “process”) proprietary, confidential, and sensitive information and data, including personal data, intellectual property, trade secrets, and sensitive third-party and customer data (collectively, “sensitive information”). For example, our customers store confidential information and sensitive information on our platform, such as building plans and other information related to government works or projects for regulated industries, such as banks and healthcare facilities. Our data processing activities subject us to numerous data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, contracts (including with our customers and other third parties), and other obligations that govern the processing of personal data by us and on our behalf.

In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data privacy laws, and consumer protection laws. For example, the California Consumer Privacy Act of 2018 (the “CCPA”) imposes obligations on covered businesses. These obligations include, but are not limited to, providing specific disclosures in privacy notices and affording California residents certain rights related to their personal data, and allow for statutory fines for noncompliance (up to \$7,500 per violation). In addition, it is anticipated that the California Privacy Rights Act of 2020 (“CPRA”), effective January 1, 2023, will expand the CCPA. The CPRA establishes a new California Privacy Protection Agency to implement and enforce the CPRA, which could increase the risk of enforcement. Other states have enacted data privacy laws as well. For example, Virginia passed the Consumer Data Protection Act. Colorado passed the Colorado Privacy Act, and Utah passed the Utah Consumer Privacy Act, all of which will become effective in 2023. Additionally, several states and localities have enacted measures related to the use of artificial intelligence and machine learning in products and services. Data privacy and security laws have been proposed at the federal, state, and local levels in recent years, which could further complicate compliance efforts.

As we expand globally, our obligations related to data protection may increase. Outside the United States, an increasing number of laws, regulations, and industry standards apply to data privacy and security. For example, the EU’s General Data Protection Regulation (“GDPR”) and the United Kingdom’s (“U.K.”) GDPR impose strict requirements for processing personal data. Under the EU’s GDPR, government regulators may impose temporary or definitive bans on data processing, as well as fines of up to 20 million euros or 4% of annual global revenue, whichever is greater, for certain violations. The application of the EU’s GDPR alongside the U.K.’s GDPR exposes us to two parallel regimes, each of which potentially authorizes similar fines and other potentially divergent enforcement actions for certain violations. The relationship between the U.K. and the EU in relation to certain aspects of data protection law remains in flux. This may require investing in additional resources and more technology. In addition, individuals and consumer protection agencies may initiate litigation related to the processing of individuals’ personal data. There are also stringent local data protection requirements in Germany and cloud-provider initiatives in France which may impact our expansion into these countries. In Europe, there is a proposed regulation related to artificial intelligence (“AI”) that, if adopted, could impose onerous obligations related to the use of AI-related systems. We may have to change our business practices to comply with such obligations. In Canada, the Personal Information Protection and Electronic Documents Act and various related provincial laws, as well as Canada’s Anti-Spam Legislation, applies to our operations, as does Australia’s Privacy Act 1988. We also have operations in Singapore, which means that we may be subject to Singapore’s Personal Data Protection Act.

Certain jurisdictions have enacted data localization laws and cross-border personal data transfer laws, which could make it more difficult to transfer information across jurisdictions (such as transferring or receiving personal data that originates in the EU or in other foreign jurisdictions). Existing mechanisms that facilitate cross-border personal data transfers may change or be invalidated.

In addition, privacy advocates and industry groups have proposed, and may further propose, standards with which we are legally or contractually bound to comply. For example, we are also subject to the Payment Card Industry Data Security Standard (“PCI DSS”). PCI DSS requires companies to adopt certain measures to ensure the security of cardholder information, including using and maintaining firewalls, adopting proper password protections for certain devices and software, and restricting data access. Noncompliance with PCI DSS can result in penalties ranging from \$5,000 to \$100,000 per month by credit card companies, litigation, damage to our reputation, and loss of revenue. We may also rely on vendors to process payment card data who may also be subject to PCI DSS, and our business may be negatively impacted if our vendors are fined or suffer other consequences as a result of PCI DSS noncompliance.

Our obligations related to data privacy and security are quickly changing in an increasingly stringent fashion, creating some uncertainty as to the effect of future legal frameworks. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires significant resources and may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal data on our behalf. In addition, these obligations may require us to change our business practices.

Although we endeavor to comply with all applicable data privacy and security obligations, we may at times fail, or be perceived to have failed, to do so. Moreover, despite our efforts, our personnel or third parties upon which we rely, such as vendors or developers, may fail to comply with such obligations, which could negatively impact our business operations and compliance posture. For example, any failure by a third-party processor to comply with applicable law, regulations, or contractual obligations could result in adverse consequences for us, including our inability to or interruption in our ability to operate our business and proceedings against us by governmental entities or others.

If we fail, or are perceived to have failed, to address or comply with data privacy and security obligations, we could face significant consequences. These consequences may include, but are not limited to, government enforcement actions (e.g., investigations, audits, inspections, fines, and penalties), litigation (including class-related claims), additional reporting requirements and oversight, restrictions or bans on processing personal data, orders to destroy or not use personal data, the inability to operate in certain jurisdictions, limited ability to develop or commercialize our products, loss of revenue or profits, loss of customers or sales (including a decline in customer subscription renewals), interruptions or stoppages in or modifications to our operations, negative publicity (including public statements against us by consumer advocacy groups or others), and reputational harm, any of which could materially adversely affect our business, financial condition, results of operations, and prospects.

If our information technology systems or data, or those of third parties upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm, loss of revenue or profits, loss of customers or sales, and other adverse consequences, any of which could materially adversely affect our business, financial condition, results of operations, and prospects.

In the ordinary course of our business, we may process substantial amounts of sensitive information (defined above). We may also rely upon third-party developers, service providers, and technologies to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation, third-party providers of cloud-based infrastructure, encryption and authentication technology, employee email, and other functions. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. We may also share or receive sensitive information with or from third parties.

Cyberattacks, malicious internet-based activity, and online and offline fraud are prevalent and continue to increase. Cloud-based platform providers of products and services have been targeted and are expected to continue to be targeted. These threats are also becoming increasingly difficult to detect and come from a variety of sources, including traditional computer "hackers," threat actors, personnel (such as through theft or misuse), sophisticated nation-states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyberattacks including without limitation, nation-states and nation-state-supported actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we may be subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), personnel misconduct or error (such as, ransomware attacks, supply chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, and other similar threats. Our products may also be subject to fraudulent usage and schemes, including from third parties accessing customer accounts or viewing data from our platform.

Ransomware attacks, including by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. While extortion payments have the potential to alleviate the negative impact of a ransomware attack, we may be unwilling or unable to make such payments for a variety of reasons, including but not limited to applicable laws or regulations prohibiting such payments.

Similarly, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain or our third-party partners' supply chains have not been compromised or that they do not

contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems (including our products and platform) or the third-party information technology systems that support us and our services.

The COVID-19 pandemic and our remote workforce poses increased risks to our information technology systems and data, as more of our employees work from home, utilizing network connections outside our premises.

In addition, business transactions, such as acquisitions or integrations, could expose us to these same or additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies.

Any of the previously identified or similar threats could cause a security incident or other interruption. A security incident or other interruption could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to sensitive information. A security incident or other interruption could disrupt our ability (and that of third parties upon which we rely) to provide our products. We may expend significant resources or modify our business activities to try to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain security measures to protect our information technology systems and sensitive information.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We may be unable to detect past or future vulnerabilities in our information technology systems (including our products) because such threats and techniques change frequently, and often sophisticated in nature, and may not be detected until after a security incident has occurred. Furthermore, despite our efforts to identify and remediate vulnerabilities in our information technology systems (including our products), our efforts may not be successful. As we continue to expand the features and functionality of our products and platform and introduce new products, we may become even more vulnerable to such security incidents and vulnerabilities in the future. In addition, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. Applicable data privacy and security obligations, including data breach laws and contractual obligations to various customers, may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosures, or the failure to comply with such requirements could lead to adverse consequences.

If we or third parties upon which we rely experience a security incident or are perceived to have experienced a security incident, we could experience significant consequences. These consequences may include, but are not limited to, government enforcement actions (e.g., investigations, audits, inspections, fines, and penalties), litigation (including class-related claims), additional reporting requirements and oversight, restrictions or bans on processing sensitive information (including personal data and sensitive third-party and customer data), loss of revenue or profits, loss of customers or sales, interruptions or stoppages in or modifications to our operations (including availability of data), indemnification obligations, negative publicity, and reputational harm. Security incidents and attendant consequences may also cause customers to stop using our products (including by declining to renew their subscriptions), deter new customers from using our products and platform, and negatively impact our ability to grow and operate our business. In addition, security incidents experienced by others, such as our competitors or customers, may lead to widespread negative publicity for us, our customers, or the construction software industry generally.

Our contracts may not contain indemnifications, limitations of liability, or other protective provisions, and even where they do, there can be no assurance that indemnification clauses, limitations of liability, or other protective provisions in our contracts are applicable, enforceable, or sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We cannot be sure that our general liability insurance coverage and coverage for cyber liability or errors or omissions will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our data privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductibles or co-insurance requirements, could materially adversely affect our business, financial condition, results of operations, and prospects.

To the extent we do not effectively address these risks, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Any failure to offer high quality support for our customers and collaborators may harm our relationships with our customers and, consequently, our business.

While we have designed our products to be easy to adopt with minimal support, our customers depend on our customer success teams to provide implementation, training, and support services. Due to the COVID-19 pandemic, our in the field

customer support capabilities have diminished as a number of our employees continue to work remotely to minimize their and our customers' risk of exposure to COVID-19. If we do not provide effective ongoing support (both virtually and in the field), our ability to sell additional products to existing customers could be adversely affected, and our reputation with prospective customers or the industry could be damaged. If we experience increased customer and collaborator demand for support, we may face increased costs that may harm our results of operations. The number of our customers and collaborators has grown significantly, which has put additional pressure on our customer success teams. If we are unable to provide efficient support services or if we need to hire additional support resources, potentially through third parties, our business, financial condition, results of operations, and prospects could be adversely affected. Additionally, our ability to acquire new customers is highly dependent on our business reputation and on positive recommendations from existing customers. Any failure to maintain high quality support, or a market perception that we do not maintain high quality support, for our customers and collaborators could materially adversely affect our business, financial condition, results of operations, and prospects.

If we fail to maintain an effective system of disclosure controls and internal control over our financial reporting, including our acquired companies, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired and our business, financial condition, results of operations, and prospects could be materially adversely affected.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the applicable listing standards of the New York Stock Exchange (the "NYSE"). We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more complex, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

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

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including our acquisitions. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems, and controls to accommodate such changes. If these new systems or controls, and the associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports, or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our business or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on our stock price. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act ("Section 404") and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second Annual Report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company" as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could cause a decline in our stock price or materially adversely affect our business, financial condition, results of operations, and prospects.

The COVID-19 pandemic has had and could continue to have an adverse impact on our business, operations, and the markets and communities in which we, our partners, and our customers operate.

The COVID-19 pandemic has caused general business disruption worldwide beginning in January 2020. The potential impact and duration of the COVID-19 pandemic on the global economy and our business are difficult to assess or predict. Potential impacts include:

- our customer prospects and our existing customers may continue to experience slowdowns in their businesses, which in turn may result in reduced demand for our platform, lengthening of sales cycles, loss of customers, and difficulties in collections;
- our employees are working from home much more frequently than they have historically, which may result in decreased employee productivity and morale, increased unwanted employee attrition, and increased risk of a cyberattack;
- we continue to incur fixed costs, particularly for real estate, and may derive reduced or no benefit from those costs;
- we may continue to experience disruptions to our growth planning, such as for facilities and international expansion;
- we anticipate incurring costs in returning to work from our facilities around the world, including changes to the workplace, such as space planning, food service, travel costs, and amenities;
- we may be subject to legal liability for safe workplace claims;
- our critical vendors or third-party partners could go out of business; and
- in-person marketing events, including industry conferences, may be canceled or may be conducted remotely, which may not have the same level of effectiveness as marketing events and other sales and marketing activities conducted in person.

The impact of any of the foregoing, individually or collectively, could adversely affect our business, financial condition, results of operations, and prospects.

As a result of the COVID-19 pandemic, we temporarily closed our headquarters and other offices, required our employees and contractors to work remotely, and implemented travel restrictions, all of which represented a significant change in how we operate our business. The operations of our partners and customers have likewise been altered. As a result of global business disruption, the COVID-19 pandemic may have an adverse impact on our ability to close new and additional business agreements. While the duration and extent of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions, it has had an adverse effect on the global economy and the ultimate societal and economic impact of the COVID-19 pandemic remains unknown. In particular, the conditions caused by the pandemic are likely to continue to affect the rate of global construction spending and, despite the measures we have taken to limit or mitigate the impact, it could continue to have an adverse effect on the demand for our platform, lengthen our sales cycles, reduce the value or duration of subscriptions, reduce the level of subscription renewals, negatively impact collections of accounts receivable, reduce expected spending from new customers, cause some of our customers to go out of business, limit the ability of our direct sales force to travel to customers and potential customers, and affect contraction or attrition rates of our customers, all of which could adversely affect our business, financial condition, and prospects in 2022 and future periods.

Moreover, to the extent the COVID-19 pandemic continues to adversely affect our business, financial condition, results of operations, and prospects, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, including but not limited to, those related to our ability to increase sales to existing and new customers, develop and deploy new offerings and applications, and maintain effective marketing and sales capabilities.

We license technology from third parties and our inability to maintain those licenses could materially adversely affect our business, financial condition, results of operations, and prospects.

We currently incorporate, and will in the future incorporate, technology that we license from third parties into our products

and platform. We cannot be certain that our licensors do not or will not infringe on the intellectual property rights of third parties or that our licensors have or will have sufficient rights to the licensed intellectual property in all jurisdictions where we may sell our platform. Some of our agreements with our licensors may be terminated by them for convenience, or otherwise provide for a limited term. If we are unable to continue to license technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or if we are unable to continue our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell products containing that technology would be limited, and our business could be harmed. Additionally, if we are unable to license or continue to license technology from third parties, such as technology that helps enable our products, we may be forced to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and may require us to use alternative technology of lower quality or performance standards. This could limit or delay our ability to offer certain existing, new, or competitive products and may increase our costs. As a result, our business, financial condition, and results of operations could be materially adversely affected.

Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.

We primarily rely and expect to continue to rely on a combination of patent, copyright, trademark, and trade secret laws, as well as confidentiality procedures, licenses and contractual restrictions with our employees, consultants, and third parties, to establish and protect our intellectual property and proprietary rights, all of which provide only limited protection. As of December 31, 2021, we had 16 issued patents, 35 pending, non-provisional patent applications in the United States, and 11 active Patent Cooperation Treaty international patent applications. Our issued patents in the United States will expire between 2035 and 2040. We continually review our development efforts to assess the evidence and patentability of new intellectual property. We make business decisions about when to seek patent protection for a particular technology and when to rely upon copyright or trade secret protection, and the approach we select may ultimately prove to be inadequate. Even when we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our products or platform. In addition, we believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand, and maintaining goodwill. If we do not adequately protect our rights in our trademarks from infringement, misappropriation and unauthorized use, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business. Third parties may knowingly or unknowingly infringe our proprietary rights, or may challenge our proprietary rights, and we may not be able to prevent infringement without incurring substantial expenses. Additionally, pending and future patent, trademark, and copyright applications may not be approved, and our issued patents may be contested, circumvented, found unenforceable, or invalidated. We have also devoted substantial resources to the development of our proprietary technologies and related processes. In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of such information. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, laws in certain jurisdictions may afford little or no trade secret protection, and any changes in, or unexpected interpretations of, the intellectual property laws in any country in which we operate may compromise our ability to enforce our intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our products, platform, brand, and other intangible assets may be diminished, and competitors may be able to more effectively replicate our platform and its features. Any of these events could materially adversely affect our business.

We may become involved in litigation that could materially adversely affect our business, financial condition, results of operations, and prospects.

As we face increasing competition and gain an increasingly higher profile, the possibility of intellectual property rights claims, commercial claims, or other claims or lawsuits being asserted against us grows. In the future, we may become a party to litigation and disputes related to our intellectual property, business practices, regulatory compliance, products, or platform. While we intend to vigorously defend these lawsuits, litigation can be costly and time-consuming, divert the attention of management and key personnel from our business operations, and dissuade prospective customers from subscribing to our products. We may need to settle litigation and disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment that may not be reversible upon appeal. The terms of any settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, our customer agreements include provisions requiring us to indemnify our customers against liabilities if our products infringe a third-party's intellectual property rights, and we have negotiated other specific indemnities with certain of our customers. In each case, which could require us to make payments to such customers. During the course of any litigation or dispute, we may make announcements regarding the results of hearings and motions and other interim developments. If securities analysts and investors consider these

announcements negative, our stock price may decline. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of third-party rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us, and we may be required to develop alternative non-infringing technology or practices or discontinue our practices. The development of alternative, non-infringing technology or practices could require significant effort and expenses. Any of the above could materially adversely affect our business, financial condition, results of operations, and prospects.

If we cannot maintain our company culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success.

We believe our corporate culture fosters innovation, teamwork, passion, and focus on execution and has contributed to our success. As we grow and develop our infrastructure as a public company and expand our operations, we may find it difficult to maintain our corporate culture. Any failure to preserve our culture could harm our future success, including our ability to recruit and retain qualified personnel, innovate and operate effectively, and execute on our business strategies. In addition, in response to the COVID-19 pandemic and local government health regulations, we are requiring or have required substantially all of our employees to work remotely to minimize the risk of exposure to the virus to our employees and the communities in which we operate. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and business partners. There is no guarantee that we will be as effective while working remotely or that we will be able to maintain our corporate culture because our team is dispersed and because our employees may have less capacity to work due to increased personal obligations (such as childcare, eldercare, or caring for family members who become sick), may become sick themselves and be unable to work, or may be otherwise negatively affected, mentally or physically, by the COVID-19 pandemic and prolonged social distancing. If we experience any of these risks in connection with future growth, it could impair our ability to attract new customers and retain existing customers and expand their use of our platform, all of which could materially adversely affect our business, financial condition, results of operations, and prospects.

We may be unsuccessful in making, integrating, and maintaining acquisitions, joint ventures, and strategic investments.

We expect to evaluate and consider a wide array of potential strategic transactions, including acquisitions of businesses, joint ventures, new technologies, services, products, and other assets, and making strategic investments. However, we may not be able to find suitable acquisition, joint venture, and strategic investment candidates, and we may not be able to complete these transactions on favorable terms, or at all. Even if we are able to complete these transactions, they may not ultimately strengthen our competitive position or achieve our strategic goals and could be viewed negatively by existing or prospective customers, collaborators, third-party developers, regulators, investors, or others. Any of these transactions could be material to our business, financial condition, and operating results.

We may not realize the anticipated benefits of any or all of our acquisitions, joint ventures, or strategic investments in the time frame expected or at all. Valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, we could determine that such valuations have experienced impairments or other-than-temporary declines in fair value which could materially adversely affect our business, financial condition and operating results through the write-off of goodwill and other impairment charges.

We may have to pay cash, incur debt, or issue securities, including equity-based securities, to pay for acquisitions, joint ventures, or strategic investments, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such transaction could result in dilution to our stockholders. If we incur debt in connection with such a transaction, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business. Any of these factors could materially adversely affect our ability to consummate a transaction, our business, financial condition, results of operations, and prospects.

Our acquisition activities may disrupt our ongoing business, involve increased expenses, and present risks not contemplated at the time of the transactions.

We have acquired and may continue to acquire companies, products, technologies and talent that complement our business strategy both within and outside the U.S. Acquisitions, including our acquisitions of Levelset and LaborChart, involve significant risks and uncertainties, including:

- the failure to successfully integrate the acquired technology, data assets, personnel, and operations into our business or to establish and maintain uniform and adequate standards, controls, policies, and procedures across the combined businesses;

- the inability to realize synergies expected to result from an acquisition;
- disruption of our ongoing business and distraction of management;
- challenges relating key personnel, customers, vendors and other business partners of the acquired operation;
- the risk that the internal control environment, including the cybersecurity environment, of an acquired company may not be consistent with our standards or with regulatory requirements, and may require significant time and resources to align and rectify;
- unidentified issues not discovered in our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies;
- the failure to successfully further grow an acquired business or further develop an acquired technology and any resulting impairment of amounts currently capitalized as intangible assets;
- the increased operating expenses may negatively affect our financial results;
- risks associated with businesses we acquire that may differ from or be more significant than the risks our other businesses face;
- in the case of foreign acquisitions or acquisitions containing foreign operations, the impact of particular economic, tax, currency, political, legal, and regulatory risks associated with specific countries; and
- to the extent we issue equity securities as consideration in an acquisition, current stockholders' percentage ownership and earnings per share will be diluted.

In addition, any acquisition that we announce may not be completed if closing conditions are not satisfied. Because acquisitions are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. In particular, if we are unable to successfully operate as a combined business, including in respect of the Labor/Chief and Levelset acquisitions, or any other interests that we acquire, to achieve shared growth opportunities to combine reporting or other processes within the expected time frame, such delay may materially and adversely affect the benefits that we expect to achieve as a result of any such acquisition, and could result in additional costs or loss of revenue. Moreover, adverse changes in market conditions and other factors, such as the failure to realize some or all of the anticipated benefits of either of the Labor/Chief or Levelset acquisitions and the impact of the COVID-19 pandemic, may cause the acquisition to be dilutive to our operating earnings per share beyond the first fiscal year after close. Any dilution of our non-GAAP diluted earnings per share could cause the price of our common stock to decline or grow at a reduced rate.

Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure to comply with such laws and regulations could materially adversely affect our business, financial condition, results of operations, and prospects.

We are subject to a number of laws and regulations that apply generally to businesses, including laws and regulations governing the internet and the marketing, sale, and delivery of goods and services over the internet. These laws and regulations, which continue to evolve, cover, among other things, taxation, tariffs, privacy and data protection, data security, pricing, content, copyrights, distribution, mobile and other communications, advertising practices, electronic contracts, sales procedures, automatic subscription renewals, credit card processing procedures, consumer protection, the provision of online payment services, the design and operation of websites, and the characteristics and quality of products that are offered online. We cannot guarantee that we have been or will in the future be fully compliant with such laws and regulations in every jurisdiction, as it is not entirely clear in every jurisdiction how existing laws and regulations governing such areas apply or will be enforced. Moreover, as the regulatory landscape continues to evolve, increasing regulation and enforcement efforts by federal, state, and foreign authorities, and the prospects for private litigation claims, become more likely. In addition, the adoption of new laws or regulations, or the imposition of other legal requirements, that adversely affect our ability to market or sell our products could harm our ability to offer, or customer demand for, our products, which could impact our revenue, impair our ability to expand our product offerings, and make us more vulnerable to competition. Future regulations, or changes in laws and regulations or their existing interpretations or applications, could also require us to change our business practices and raise compliance costs or other costs of doing business. For example, the re-adoption of "network neutrality" rules in the United States by the Federal Communications Commission (the "FCC"), which the current president of the United States supported during his campaign, and which is supported by the current Democratic FCC commissioners, could affect the services we and our customers use by restricting the offerings made by internet service providers or reducing their incentives to invest in their networks. After a federal court judge denied a request for an injunction against California's state-specific network neutrality law, California began enforcing that law on March 25, 2021. Trade associations representing internet service providers appealed the district court's ruling denying the preliminary injunction, and the appeal was denied on January 28, 2022. The trade associations sought rehearing with the full court of appeals, but their request was denied on April 20, 2022. Other states could

begin to enforce existing laws or adopt new network neutrality requirements. In addition, our materials finance business, which we assumed in connection with the Levelset acquisition, may be subject to additional federal and state laws and regulations governing extensions of credit and other financial transactions. We believe that the transactions in which our materials finance business engages generally are not subject to laws or regulations governing loans and lending activities. However, if a regulator or court concluded that such transactions are loans, and thus subject to laws governing loans and lending activities, then we may be required to restructure the transactions in a way that is commercially less desirable in order to support the credit sale characterization, or to comply with laws and regulations governing loans and lending activities, which may include usury laws and state lending, loan making, or debt collection or servicing licensing laws.

Additionally, various federal, state, and foreign labor laws govern our relationships with our employees and affect operating costs. These laws include employee classifications as exempt or non-exempt, minimum wage requirements, unemployment tax rates, workers' compensation rates, overtime, family leave, workplace health and safety standards, payroll taxes, citizenship requirements, and other laws and regulations.

Any claim, lawsuit, proceeding, investigation, inquiry or request under any of the foregoing could: (i) result in reputational harm, criminal sanctions, consent decrees, orders preventing us from offering certain features, functionalities, products or services, (ii) limit our access to credit, (iii) result in a modification or suspension of our business practices, (iv) require us to develop non-infringing or otherwise altered products or technologies, (v) prompt ancillary claims, lawsuits, proceedings, investigations, inquiries or requests, (vi) consume financial and other resources which may otherwise be utilized for other purposes, such as advancing other products and services on our platform, (vii) cause a breach or cancellation of certain contracts, or (viii) result in a loss of customers, investors or partners. Any of the foregoing, or any significant additional laws or regulations, or our failure to comply with any laws and regulations that now or in the future could apply to our business, could materially adversely affect our business, financial condition, operating results, and prospects.

Certain of our services subject us to complex and evolving laws and regulations regarding the unauthorized practice of law.

Unauthorized practice of law ("UPL") generally refers to an entity or person who is not licensed to practice law but who gives legal advice or advertises their services as the practice of law. As a result of our acquisition of Levelset in November 2021, certain lien rights management services we now offer involve activities that could represent an alternative to traditional legal services and, as a result, may potentially subject us to UPL allegations. Our lien rights management business model includes the provision of document processing services in connection with the filing of liens. In the past, various aspects of Levelset's lien rights management offering have been subject to claims of UPL. In the future, we could face similar claims, actions, or proceedings.

The laws and regulations that define UPL, and the governing bodies that enforce UPL rules, differ among the various jurisdictions in which we operate, and the scope of these laws and regulations is often vague and broad and are evolving. As a result, the applications and interpretations of these laws and regulations can be uncertain and conflicting. For example, regulation of legal document processing, a component of our lien rights management offering, varies among the jurisdictions in which we conduct business. Compliance with these disparate laws and regulations may require us to structure our business and services differently in certain jurisdictions, which could lead to operating inefficiencies. Maintaining compliance with UPL rules across various jurisdictions may cause us to incur significant expenses and may require that we dedicate significant management time to dealing with UPL issues, which could divert management's attention from other matters.

As we continue to grow our lien rights management offering or expand into new jurisdictions, we may face increased scrutiny and risk of additional UPL claims, actions or proceedings. Any failure or perceived failure by us to comply with applicable UPL laws and regulations may subject us to regulatory inquiries, actions, lawsuits or proceedings. Levelset has incurred in the past, and we expect to incur in the future, costs associated with responding to, defending, resolving, and/or settling UPL claims, actions, and proceedings. We can give no assurance that we will prevail in any such matters on commercially reasonable terms or at all. Responding to, defending and/or settling regulatory inquiries, actions, lawsuits and proceedings may be time-consuming and divert management and financial resources or have other adverse effects on our business. A negative outcome in any of these proceedings may result in claims, actions, changes to or discontinuance of some of our services, potential liabilities, and additional costs that could materially adversely affect our business, results of operations, financial condition, future prospects, and brand.

We may need to raise additional capital to grow our business, and such capital may not be available on terms acceptable to us, or at all, which could reduce our ability to compete and could materially adversely affect our business, financial condition, results of operations, and prospects.

We expect that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for working

capital and capital expenditures for at least the next 12 months. To support our business and operations, we will need sufficient capital to continue to make significant investments, and we may need to raise additional capital through equity or debt financings to fund such efforts. If such financing is not available to us on acceptable terms, or at all, we may be unable to fund our growth or develop new business at the rate desired, and our operating results may suffer. Debt financing increases expenses, may contain covenants that restrict the operation of our business, and must be repaid regardless of operating results. Equity financing, or debt financing that is convertible into equity, could result in dilution to our existing stockholders and a decline in our stock price.

Our inability to obtain adequate capital resources, whether in the form of equity or debt, to fund our future growth may require us to delay, scale back, or eliminate some or all of our operations or the expansion of our business, which could materially adversely affect our business, financial condition, operating results, and prospects.

If customers default on deferred payment terms under supply contracts with our materials finance business, we may incur financial losses or be unable to obtain favorable terms from potential funding sources we may pursue in the future.

In connection with our acquisition of Levelset in November 2021, we assumed a materials finance line of business, pursuant to which we facilitate the purchase of construction materials from suppliers and allow our customers to finance their purchases of such materials from us on deferred payment terms. Holding these receivables under the deferred payment terms in our materials supply agreements on our balance sheet exposes us to credit and liquidity risk, which may adversely affect our financial performance. If customers default on the deferred payment terms under our materials supply agreements, we may incur financial losses or be unable to obtain favorable terms from potential funding sources we may pursue in the future.

While we earn financing charges on deferred payment balances, we bear credit risk in the event customers default on the deferred payment terms under our materials supply agreements. Further, adverse effects on our liquidity may impair our ability to allocate sufficient financial resources for other purposes, such as advancing any other aspect of our platform, which could adversely impact our results of operations.

Although we believe that we currently have adequate liquidity to support our materials finance business, there are a number of factors that could reduce or deplete our existing liquidity position, including results of operations that are reduced relative to our projections, costs related to existing or future litigation or regulatory matters, the pursuit of strategic-business opportunities (whether through acquisition or otherwise), and unanticipated liabilities.

We rely on third-party data centers, such as AWS, to host and operate our platform, and any disruption of or interference with our use of these resources may negatively affect our ability to maintain the performance and reliability of our platform, which could cause our business to suffer.

Our customers depend on the continuous availability of our platform. We currently host our platform and serve our customers primarily using Amazon Web Services ("AWS"). Consequently, we may be subject to service disruptions as well as failures to provide adequate support for reasons that are outside of our control, including:

- the performance and availability of AWS and other third-party providers of cloud infrastructure services with the necessary speed, data capacity, and security for providing reliable services;
- decisions by AWS and other owners and operators of the data centers where our cloud infrastructure is deployed to terminate our subscriptions, discontinue services to us, shut down operations or facilities, increase prices, change service levels, limit bandwidth, declare bankruptcy, or prioritize the traffic of other parties;
- physical break-ins, acts of war or terrorism, database capacity constraints, human error or interference, including by disgruntled employees, former employees, or contractors, and other catastrophic events; and
- cyberattacks, including denial of service attacks, targeted at us, our data centers, or the infrastructure of the Internet.

The adverse effects of any service interruptions on our reputation, results of operations, and financial condition may be disproportionately heightened due to the nature of our business and the fact that our customers have a low tolerance for interruptions of any duration.

To meet the performance and other requirements of our customers, we intend to continue to make significant investments to increase capacity and to develop and implement new technologies in our cloud infrastructure operations. Any renegotiation or renewal of our agreement with AWS, or a new agreement with another provider of cloud-based services, may be on terms that are significantly less favorable to us than our current agreement. Additionally, these new technologies, which include databases, application and server optimizations, network strategies, and automation, are often advanced, complex, new, and untested, and we may not be successful in developing or implementing these technologies. It takes a significant amount of time

to plan, develop, and test improvements to our technologies and cloud infrastructure, and we may not be able to accurately forecast demand or predict the results we will realize from such improvements. To the extent that we do not effectively scale our infrastructure to meet the needs of our growing customer base and maintain performance as our customers expand their use of our products, or if our cloud-based server costs were to increase, our business, financial condition, results of operations, and prospects could be materially adversely affected.

The experience of our users depends upon the interoperability of our platform across devices, operating systems, and third-party applications that we do not control.

One of the most important features of our platform is its broad interoperability with a range of devices, web browsers, operating systems, and third-party applications. Our App Marketplace enables customers to connect other software, applications, and data to our platform. Accordingly, we are dependent on the accessibility of our platform across web browsers, operating systems, and the third-party applications that we otherwise do not control. Third-party applications and products are constantly evolving, and we may not be able to modify our platform to assure its compatibility with that of other third parties following development changes. In addition, some of our competitors may be able to disrupt the operations or compatibility of our platform with their applications that some of our customers may rely upon. If our platform has integration or operability failures with these operating systems or third-party applications, customers may not adopt our platform, and our App Marketplace may not be useful to customers, which could materially adversely affect our business, financial conditions, results of operations, and prospects.

Interruptions or performance issues associated with our products and platform could materially adversely affect our business, financial condition, results of operations, and prospects.

We have experienced, and may in the future experience, service interruptions and other performance issues due to a variety of factors. Our future growth depends in part on the ability of our existing and prospective customers to access our products and platform reliably and at any time. Certain of our customer agreements contain service level commitments, which contain specifications regarding the availability and performance of our platform. If we are unable to meet our stated service level commitments or if we suffer extended periods of poor performance or unavailability of our platform, we may be contractually obligated to provide affected customers with service credits against existing subscriptions or, in certain cases, refunds. Any service interruptions or other performance issues could negatively impact our renewal rates and harm our ability to attract new customers, and as a result could materially adversely affect our business, financial condition, results of operations, and prospects.

Additionally, our products and platform are inherently complex and may, from time to time, contain material defects or errors, particularly when new products or new features or capabilities are released. We have in the past found defects or errors in our products and platform and we may detect new defects or errors in the future. Any real or perceived errors, failures, vulnerabilities, or bugs in our products or platform could result in negative publicity or lead to data security, access, retention, or performance issues, all of which could harm our business and reputation. In addition, the costs incurred in correcting such defects or errors may be substantial. Any of these risks could materially adversely affect our business, financial condition, results of operations, and prospects.

Failures in internet infrastructure or interference with internet or Wi-Fi access could cause existing or prospective users to believe that our systems are unreliable, potentially leading our customers to decline to renew their subscriptions.

Our platform depends on our users' internet access. Increasing numbers of users on our platform and increasing bandwidth requirements may degrade the performance of our products or platform due to capacity constraints and other internet infrastructure limitations. If internet service providers and other third parties providing internet services have outages or deteriorations in their quality of service, our users may not have access to our platform or may experience a decrease in the quality of our products. Furthermore, as the rate of adoption of new technologies increases, the networks our platform relies on may not be able to sufficiently adapt to any increased demand for our products. Frequent or persistent interruptions, including those from increased usage stemming from the COVID-19 pandemic, could cause existing or prospective users to believe that our platform is unreliable, leading them to switch to our competitors, which could materially adversely affect our business, financial condition, results of operations, and prospects.

In addition, users who access our platform through mobile devices, such as smartphones and tablets, must have an internet or Wi-Fi connection to use our products. Currently, this access is provided by a limited number of companies. These providers could take measures that degrade, disrupt, or increase the cost of user access to third-party services, including our platform, by charging increased fees to third parties or the users of third-party services, any of which would make our platform less attractive to customers and reduce our revenue.

Increased government scrutiny of the technology industry could negatively affect our business.

The technology industry is subject to intense media, political, and regulatory scrutiny, which may expose us to government investigations, legal actions, and penalties. Various regulatory agencies, including competition, consumer protection, and privacy authorities, have active proceedings and investigations concerning multiple technology companies, some of which have offerings, the app marketplaces and collaboration tools, that are similar to services and features we offer. If proceedings or investigations targeted at other companies result in determinations that practices are unlawful, we could be required to change our products and services or alter our business operations, which could harm our business. Legislators and regulators also have proposed new laws and regulations intended to restrain the activities of technology companies. If such laws or regulations are enacted, they could adversely impact us, even if they are not intended to affect our company. In addition, the introduction of new products, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. The increased scrutiny of acquisitions in the technology industry also could affect our ability to enter into strategic transactions or to acquire other businesses. Compliance with new or modified laws and regulations could increase the cost of conducting the business, limit the opportunities to increase our revenues, or prevent us from offering products or services.

Our liability for third-party content on our platform, such as content posted by customers and other users, currently is limited by Section 230 of the Communications Decency Act. There have been various efforts made by state and federal executives and legislators to bypass, eliminate, or modify Section 230, which limits the liability of internet platforms for third-party content that is transmitted via those platforms and for good-faith moderation of offensive content. President Biden and many members of Congress from both parties have expressed support for the reform or repeal of Section 230, so the possibility of Congressional action remains. In addition, the FCC is considering a petition, filed by the former administration, to adopt rules interpreting Section 230. If the FCC adopts rules, the scope of the protection afforded by Section 230 could be narrowed considerably. The FCC has not released any document describing the rules that would be proposed and no date has been set for a vote on any such proposal. The Democratic commissioners of the FCC have indicated that they are opposed to the petition and now control the agenda of the FCC. In addition, Florida and Texas have passed laws intended to limit the protection afforded by Section 230, and similar legislation has been introduced in other states. In response to challenges from industry groups, federal courts have enjoined enforcement of the Florida and Texas laws, but appeals are pending in both cases. There also are pending cases before the judiciary that may result in changes to the protections afforded to internet platforms, including a lawsuit by former President Trump that, if successful, would greatly limit the scope of Section 230. We cannot predict whether there will be any changes to Section 230 or if regulatory action will interfere in such a way as to limit the protection it affords. If the protections contained in Section 230 are repealed or limited, we could be subjected to liability for our customers' or other users' activities, or we could be required to pay fines or penalties, redesign our business methods, or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability. Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending such claims.

We also could be harmed by government investigations, litigation, or changes in laws and regulations directed at our business partners, or suppliers in the technology industry that have the effect of limiting our ability to do business with those entities. For example, the U.S. government recently has taken action against companies operating in China intended to limit their ability to do business in the U.S. or with U.S. companies. There can be no assurance that our business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation, or changes to laws and regulations in the future.

We are subject to governmental export and import controls that could impair our ability to compete in international markets and subject us to liability if we are not in compliance with applicable laws.

Our products and platform are subject to various restrictions under U.S. export control and sanctions laws and regulations, including the U.S. Department of Commerce's Export Administration Regulations, and various economic and trade sanctions regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control. The U.S. export control laws and U.S. economic sanctions laws include restrictions or prohibitions on the sale or supply of certain products and services to embargoed or sanctioned countries, governments, persons, and entities, identified by the United States, and also require authorization for the export of certain encryption items. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain cloud-based solutions to countries, governments, and persons targeted by U.S. sanctions. In addition, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted or could enact laws that could limit our ability to distribute our platform or limit our ability to implement our platform in those countries. While we have implemented certain procedures to facilitate compliance with applicable laws and regulations in connection with the collection of this information, we cannot assure you that these procedures have been effective or that we, or third parties, many of whom we do not control, have complied with all laws or regulations in this regard. Failure by our employees, representatives, contractors, partners, agents, intermediaries, or other third parties to comply with applicable laws and regulations in the collection of this information also could have negative

consequences to us, including reputational harm, government investigations, and penalties.

Although we take precautions to prevent our information collection practices from being in violation of such laws, our information collection practices may have been in the past, and could in the future be, in violation of such laws. If we or our employees, representatives, contractors, partners, agents, intermediaries, or other third parties fail to comply with these laws and regulations, we could be subject to civil or criminal penalties, including the possible loss of export privileges and fines and penalties. We may also be adversely affected through other penalties, reputational harm, loss of access to certain markets, or otherwise. Obtaining the necessary authorizations, including any required license, for a particular transaction may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. While we are working to implement additional controls designed to prevent similar activity from occurring in the future, these controls may not be fully effective.

Changes in our platform, or changes in sanctions and import and export laws, may delay the introduction and sale of subscriptions to access our products in international markets, prevent our customers with international operations from using our platform, or in some cases, prevent the access or use of our platform to and from certain countries, governments, persons, or entities altogether. Further, any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations could result in decreased use of our platform or in our decreased ability to export or sell our platform to existing or prospective customers with international operations. Any decreased use of our platform or limitation on our ability to export or sell our platform could materially adversely affect our business, financial condition, results of operations, and prospects.

We are also subject to the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA"), the U.K. Bribery Act 2010 ("Bribery Act"), and other anti-corruption, sanctions, anti-bribery, and money laundering, and similar laws in the United States and other countries in which we conduct activities. Anti-corruption and anti-bribery laws, which have been enforced aggressively and are interpreted broadly, prohibit companies and their employees, agents, intermediaries, and other third parties from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the private sector. In the future, we may leverage third parties, including intermediaries, agents, and partners, to conduct our business in the United States and abroad, to sell subscriptions. We and these third parties may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of these third-party partners and intermediaries, our employees, representatives, contractors, partners, agents, intermediaries, and other third parties, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with FCPA, Bribery Act, and other anti-corruption, sanctions, anti-bribery, anti-money laundering, and similar laws, we cannot assure you that they will be effective, or that all of our employees, representatives, contractors, partners, agents, intermediaries, or other third parties have taken, or will not take actions, in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, severe criminal or civil sanctions, settlements, prosecution, loss of export privileges, suspension or debarment from U.S. government contracts, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, whistleblower complaints, adverse media coverage, and other consequences. Any investigations, actions, or sanctions could materially adversely affect our business, financial condition, results of operations, and prospects.

Our use of third-party open source software could negatively affect our ability to sell subscriptions to access our products and subject us to possible litigation.

We use third-party open source software. From time to time, companies that use third-party open source software have faced claims challenging the use of such open source software and compliance with the open source software license terms. Accordingly, we may be subject to lawsuits by parties claiming ownership of what we believe to be open source software or claiming non-compliance with the applicable open source licensing terms. Some open source software licenses require end-users, who distribute or make available a network software and services that include open source software, to make publicly available to its licensee all or part of such software (which in some circumstances could include valuable proprietary code, such as modifications or derivative works created, based upon, incorporating, or using the open source software) under the terms of the particular open source license. While we employ practices designed to monitor our compliance with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the terms of the applicable license, including claims of intellectual property rights infringement or for breach of contract. Furthermore, there exists today an increasing number of types of open source software licenses, almost none of which have been tested in courts of law to provide clarity on their proper legal interpretation. If we were to receive a claim of non-compliance with the terms of any of these open source licenses, we may be required to publicly release certain portions of our proprietary source code. We could also be required to expend substantial time and resources to re-engineer some or all of our software. Any of the foregoing could

materially adversely affect our business, financial condition, results of operations, and prospects.

In addition, the use of third-party open source software typically exposes us to greater risks than the use of third-party commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to compromise our platform. Any of the foregoing could materially adversely affect our business, financial condition, results of operations, and prospects and could help our competitors develop products and services that are similar to or better than ours.

Our customers' and other users' violation of our policies or other misuse of our platform to transmit unauthorized, offensive, or illegal messages, spam, phishing scams, and website links to harmful applications or for other fraudulent or illegal activity could damage our reputation, and we may face a risk of litigation and liability for illegal activities on our platform and unauthorized, inaccurate, or fraudulent information distributed via our platform.

Despite our ongoing and substantial efforts to limit such use, certain customers or other users may use our platform to transmit unauthorized, offensive, or illegal messages, calls, spam, phishing scams, and website links to harmful applications, reproduce and distribute copyrighted material or the trademarks of others without permission, and report inaccurate or fraudulent data or information. These actions are in violation of our policies. However, our efforts to defend against attacks, illegal (copyright, and other fraudulent activity will not prevent all such attacks and activity. Such use of our platform could damage our reputation and we could face claims for damages, regulatory enforcement, copyright or trademark infringement, defamation, negligence, or fraud. Moreover, our customers and other users' promotion of their products and services through our platform might not comply with federal, state, and foreign laws. We try to contractual representations made to us by our customers that their use of our platform will comply with our policies and applicable law. Although we retain the right to verify that customers and other users are abiding by our policies, our customers and other users are ultimately responsible for compliance with our policies, and we do not systematically audit our customers or other users to confirm compliance with our policies. Although Section 230 of the Communications Decency Act currently limits liability for third-party content posted on internet platforms, we cannot predict whether that protection will remain in effect. See the risk factor titled "Increased government scrutiny of the technology industry could negatively affect our business."

Because we recognize revenue from subscriptions to access our products over the term of the subscription, downturns or upturns in new business will not be immediately reflected in our results of operations.

We generate substantially all of our revenue from subscriptions to access our products. We recognize revenue ratably over the term of the subscription, beginning on the date that access to our products is made available to our customer. Our subscriptions generally have annual or multi-year terms. As a result, the significant majority of our revenue is generated from subscriptions entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any one quarter may not significantly reduce our revenue for that quarter but could negatively affect our revenue in future periods. Accordingly, the effect of downturns or upturns in new sales and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. Our revenue recognition model also makes it difficult for us to quickly increase our revenue through new subscriptions in any period.

Our ability to recognize revenue may also be affected by the length and unpredictability of the sales cycle for our products, especially with respect to larger enterprises and owners. Such customers typically undertake a significant evaluation and negotiation process due to their leverage, size, organizational structure, and approval requirements, all of which can lengthen our sales cycle. We may spend substantial time, effort, and money on sales efforts to such customers without any assurance that our efforts will produce any sales or that these customers will deploy our platform widely enough across their business to justify our substantial upfront investment. As a result, we anticipate increased sales to large enterprises will lead to higher upfront sales costs and greater unpredictability, which could materially adversely affect our business, results of operations, financial condition, and prospects.

In addition, as required by the recent revenue recognition standard under Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, we disclose the transaction price allocated to remaining performance obligations. It is possible that analysts and investors could misinterpret our disclosure or that the terms of our customer subscriptions or other circumstances could cause our methods for calculating this disclosure to differ significantly from others, which could lead to inaccurate or unfavorable forecasts by analysts and investors.

Our business is subject to the risks of earthquakes, fire, floods, and other natural catastrophic events.

Our corporate headquarters are located near Santa Barbara, California, a region known for seismic activity and severe fires, and our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other

significant natural disaster, such as a fire, mudslide, flood, or significant power outage. A significant natural disaster could materially adversely affect our business, results of operations, financial condition, and prospects. In addition, climate change could result in an increase in the frequency or severity of natural disasters and cause performance problems with our technology infrastructure and cause business interruption.

Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, or outbreaks of pandemic diseases, including the COVID-19 pandemic, we may be unable to continue our operations and may experience system interruptions and reputational harm. Acts of terrorism and other geo-political unrest, including the ongoing conflict in Ukraine, could also cause disruptions in our business or the business of our customers, partners, vendors, or the economy as a whole. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly and could materially adversely affect our business, financial condition, results of operations, and prospects.

A portion of our customers authorize us to bill their credit card accounts directly for our products. If customers pay for their subscriptions with unauthorized credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We have also incurred charges, which we refer to as chargebacks, from the credit card companies for claims that the customer did not authorize the credit card transaction for our products. If the number of claims of unauthorized credit card transactions become excessive, we could be assessed substantial fines for excess chargebacks, and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to allow their services from time to time. If we fail to maintain compliance with current merchant standards or fail to meet new standards, the credit card associations could fine us or terminate their agreements with us, and we would be unable to accept credit cards as payment for our products. We may be required to pay for unauthorized credit charges and expenses with no reimbursement from the customer. Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments could cause our customer base to significantly decrease and would harm our business.

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

We sell subscriptions to access our products to customers globally and have offices globally. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. Although the majority of our cash generated from sales is denominated in U.S. dollars, a small amount is denominated in foreign currencies, and our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations. Because we conduct business in currencies other than U.S. dollars but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates. Any of these risks could hinder our ability to predict our future results and earnings. In addition, we do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

Tax authorities may successfully assert that we, including our acquired companies, should have collected, or in the future should collect, sales and use, value added or similar taxes, and we could be subject to substantial liabilities with respect to past or future sales, which could materially adversely affect our business, financial condition, results of operations, and prospects.

We currently collect and remit applicable sales taxes and other applicable transfer taxes in jurisdictions where we, through our employees or economic activity, have a presence and where we have determined, based on applicable legal precedents, that sales of subscriptions to access our products and platform are classified as taxable. We do not currently collect and remit state and local excise, utility use, or ad valorem taxes, fees, or surcharges in jurisdictions where we believe we do not have sufficient "nexus." There is uncertainty as to what constitutes sufficient nexus for a state or local jurisdiction to levy taxes, fees, and surcharges on sales made over the internet, and there is also uncertainty as to whether our characterization of our products and platform as not taxable in certain jurisdictions will be accepted by state and local tax authorities.

Tax authorities may challenge our position that we do not have sufficient nexus in a taxing jurisdiction or that our products and platform are not taxable in such jurisdiction and may decide to audit our business and operations with respect to sales, use, value added, goods and services, and other taxes, which could result in significant tax liabilities (including related penalties and interest) for us or our customers, which could materially adversely affect our business, financial condition, results of operation,

and prospects.

The application of indirect taxes, such as sales and use, value added, goods and services, business, and gross receipts taxes, to businesses that transact online, such as ours, is a complex and evolving area. Following the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.*, states and local jurisdictions in certain circumstances may levy sales and use taxes on sales of goods and services based on “economic nexus,” regardless of whether the seller has a physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring collection of sales and use taxes by online sellers. The details and effective dates of these collection requirements vary from state to state. As a result, it may be necessary for us to reevaluate whether our activities give rise to sales, use, and other indirect taxes as a result of any nexus in those states in which we are not currently required to collect and remit taxes. Additionally, we may need to address our potential tax collection and remittance obligations based on the requirements of existing or future economic nexus laws. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or may conduct business. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such obligations. The application of existing, or future indirect tax laws, whether in the United States or internationally, or the failure to collect and remit such taxes, could materially adversely affect our business, financial condition, results of operations, and prospects.

Our corporate structure and intercompany arrangements cause us to be subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which could materially adversely affect our business, financial condition, results of operations, and prospects.

We are expanding our international operations and personnel to support our business in international markets. We generally conduct our international operations through wholly-owned subsidiaries and are or may be required to report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are subject to complex transfer pricing regulations administered by tax authorities in various jurisdictions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of such 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 relevant tax authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a 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 flow, and lower overall profitability of our operations.

We are subject to federal, state, and local income, sales, and other taxes in the United States and income, withholding, transaction, and other taxes in numerous foreign jurisdictions. Evaluating our tax positions and our worldwide provision for taxes is complicated and requires the exercise of significant judgment. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes (including income taxes, sales taxes, and value added taxes) against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could differ materially from our historical tax provisions and accruals, which could have an adverse effect on our results of operations or cash flows in the period or periods for which a determination is made.

Our business could be materially adversely affected by future changes to tax laws

The tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws, regulations, or rulings, or changes in interpretations of existing laws and regulations, could materially adversely affect our company. For example, the 2017 Tax Cuts and Jobs Act (“TCJA”), together with the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) that was enacted March 27, 2020, made broad and complex changes to the U.S. tax code, including changes to U.S. federal tax rates, additional limitations on the deductibility of interest, both positive and negative changes to the utilization of future NOL carryforwards, and allowing for the expensing of certain capital expenditures. In addition, many countries in Europe, as well as a number of other countries and organizations (including the Organization for Economic Cooperation and Development and the European Commission), have recently proposed, recommended, or (in the case of countries) enacted or otherwise become subject to changes to existing tax laws or new tax laws that could significantly increase our tax obligations in the countries where we do business or require us to change the manner in which we operate our business. Recently in the United States, Congress and the current administration proposed legislation (which has not yet been enacted) to make various tax law changes, including to increase U.S. taxation of international business operations and impose a global minimum tax. These proposals, recommendations and enactments include changes to the existing framework in respect of income taxes that could apply to our business.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2021, we had \$704.5 million of U.S. federal and \$500.0 million of state NOL carryforwards available to reduce taxable income that we may have in the future. It is possible that we will not generate taxable income sufficient to use certain of these NOL carryforwards. Under legislative changes made by the TCJA, as modified by the CARES Act, U.S. federal net operating losses incurred in taxable years beginning after December 31, 2017 may be carried forward indefinitely, but the ability to utilize such federal net operating losses to offset taxable income in taxable years beginning after 2020 is limited to 80% of the current-year taxable income. It is uncertain if and to what extent various states will conform to the TCJA. In addition, federal NOL carryforwards and certain tax credits may be subject to significant limitations under Section 362 and Section 383 of the Internal Revenue Code (the "Code"), respectively. Under those sections of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOL carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income or tax may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by 75-percent shareholders that exceeds 50 percentage points over a rolling three-year period. We performed an analysis to determine whether net operating loss and credit carryover limitations existed under Section 382 as of December 31, 2021, and determined that a portion of the net operating losses and credit carryovers are subject to Section 382 annual limitations. We have determined that we should be able to fully utilize these net operating losses and credit carryovers before they expire, provided we generate sufficient taxable income. However, we may experience additional ownership changes in the future as a result of shifts in our stock ownership after December 31, 2021, some of which may be outside of our control. State NOL carryforwards and other state tax credits may be subject to similar limitations under state tax laws, and there may be periods during which the use of state net operating losses is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, California recently imposed limits on the usability of California state net operating losses to offset California taxable income in tax years beginning after 2019 and before 2023. If an ownership change occurs and our ability to use our NOL carryforwards and tax credits is limited, or if our ability to utilize NOL carryforwards and certain tax credits is otherwise restricted by law, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Risks Related to Ownership of Our Common Stock

The market price of our common stock may be volatile, and you could lose all or part of your investment.

The market price of our common stock is likely to be volatile. The stock market in general, and the market for technology companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. In addition, the limited public float of our common stock may tend to increase the volatility of the trading price of our common stock. As a result of this volatility, you may not be able to sell your common stock at or above the price you paid for your shares. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this Quarterly Report on Form 10-Q, the market price for our common stock may be influenced by the following:

- actual or anticipated changes or fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships, or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- the expiration of market stand-off or contractual lock-up agreements and sales of shares of our common stock by us or our stockholders;
- failure of industry or financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- actual or anticipated developments in our business, or our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;

- developments or disputes concerning our intellectual property rights, our products, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- any major changes in our management or our board of directors, particularly with respect to Mr. Courtemanche;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism, health epidemics or pandemics, such as the ongoing COVID-19 pandemic, or responses to these events.

These and other market and industry factors may cause the market price and demand for our common stock to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from selling their shares at or above the price paid for the shares and may otherwise negatively affect the liquidity of our common stock.

Prior to the IPO, there had not been a public market for our common stock. If an active trading market for our common stock does not continue to develop or is not sustained, you may not be able to sell your shares quickly or at the market price. An inactive market may also impact our ability to raise capital to continue to fund operations by selling shares of our common stock and may impact our ability to acquire other companies or technologies by using our common stock as consideration.

Some companies that have experienced volatility in the trading price of their shares have been the subject of securities class action litigation. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. We also may decide to settle lawsuits on unfavorable terms. Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation or adverse changes to our business practices. Defending against litigation is costly and time-consuming, and could divert our management's attention and our resources. Furthermore, during the course of litigation, there could be negative public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a negative effect on the market price of our common stock.

Concentration of ownership of our common stock among our existing executive officers, directors, and principal stockholders may prevent new investors from influencing significant corporate decisions, including mergers, consolidations, or the sale of us or all or substantially all of our assets.

Our executive officers, directors, and stockholders who own more than 5% of our outstanding common stock beneficially own a significant percentage of our outstanding common stock. If these persons acted together, they may be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. The concentration of voting power and transfer restrictions could delay or prevent an acquisition of our company on terms that other stockholders may desire or result in the management of our company in ways with which other stockholders disagree.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, the market price and trading volume of our common stock could decline.

The market price and trading volume of our common stock may be heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, our stock price could be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our common stock.

Our executive officers, directors, and principal stockholders, if they choose to act together, have the ability to control or significantly influence all matters submitted to stockholders for approval. Furthermore, many of our current directors were appointed by our principal stockholders.

After our IPO, our executive officers, directors, and greater than 5% stockholders, in the aggregate, beneficially owned a substantial majority of our outstanding common stock (assuming no exercise of options, warrants, or other rights outstanding as of the closing). Furthermore, many of our current directors were appointed by our principal stockholders. As a result, such persons or their appointees to our board of directors, acting together, will have the ability to control or significantly influence all matters submitted to our board of directors or stockholders for approval, including the appointment of our management, the election and removal of directors and approval of any significant transaction, as well as our management and business affairs. In addition, if any of our executive officers, directors, and greater than 5% stockholders purchase shares, or if any of our other

current investors purchase shares and become greater than 1% stockholders as a result, the ability of such persons, acting together, to control or significantly influence such matters will increase. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, rejecting a merger, consolidation, takeover or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our business, even if such a transaction would benefit other stockholders.

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

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

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, you may need to rely on sales of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

We are an "emerging growth company," and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earliest of: (1) the last day of the fiscal year following the fifth anniversary of our IPO; (2) the last day of the first fiscal year in which our annual gross revenue is \$1.07 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities; and (4) the date we qualify as a "large accelerated filer" with at least \$750 million of equity securities held by non-affiliates.

We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

We incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, which we expect to further increase after we are no longer an "emerging growth company." The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the totality of additional costs we incur as a public company or the specific timing of such costs.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of the end of the fiscal year that coincides with the filing of our second Annual Report on Form 10-K. This assessment will need to include disclosure of any material

weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company." We have commenced the costly and time-consuming process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, but we may not be able to complete our evaluation, testing and any required remediation in a timely fashion once initiated. Our compliance with Section 404 will require that we incur substantial expenses and expend significant management efforts. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems and controls to accommodate such changes. Additionally, if these new systems, controls or standards and the associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Certain 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 members of our board of directors or current management, and may adversely affect our stock price.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the denial of any right of our stockholders to remove members of our board of directors except for cause and, in addition to any other vote required by law, upon the approval of not less than two thirds of the total voting power of all our outstanding voting stock then entitled to vote in the election of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairperson of our board of directors, chief executive officer, or by the board of directors acting pursuant to a resolution adopted by a majority of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

• certain amendments to our amended and restated certificate of incorporation will require the approval of two-thirds of the then-outstanding voting power of our capital stock; and

• advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

These provisions may prohibit large stockholders, in particular those owning 10% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. See the section titled "Description of Capital Stock—Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws."

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States as the exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees, or agents to us or our stockholders; (3) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, or the amended and restated certificate of incorporation or the amended and restated bylaws; (4) any action to interpret, apply, enforce, or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws; or (5) any action asserting a claim that is governed by the internal affairs doctrine (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware). In all cases subject to the court having jurisdiction over independent parties (referred to as defendants), this provision would not apply to lawsuits brought to enforce a duty or liability created by the Exchange Act. In addition, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all lawsuits brought to enforce any duty or liability created by the Securities Act, and an investor cannot waive compliance with the federal securities laws and the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such a provision. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in these other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

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

Use of Proceeds

On May 24, 2021, we completed our IPO, in which we sold 10,410,000 shares of our common stock at a price to the public of \$67.00 per share, including 940,000 shares sold in connection with the full exercise of the underwriters' option to purchase additional shares. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-256789), which was declared effective by the SEC on May 19, 2021.

There has been no material change in the planned use of proceeds from the IPO as described in our Final Prospectus dated May 19, 2021.

Items 3, 4 and 5 are not applicable and have been omitted.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-40396	3.1	May 24, 2021
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-40396	3.2	May 24, 2021
31.1*	Section 302 Certification of Principal Executive Officer				
31.2*	Section 302 Certification of Principal Financial Officer				
32.1**	Section 906 Certification of Principal Executive Officer				
32.2**	Section 906 Certification of Principal Financial Officer				
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH†	Inline XBRL Taxonomy Extension Schema Document				
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				
-	Filed herewith.				
#	The certifications attached as Exhibit 32.1 and Exhibit 32.2 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Exchange Act, and are not to be incorporated by reference into any of the Registrant’s filings under the Securities Act, irrespective of any general incorporation language contained in any such filing.				

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.

Procore Technologies, Inc.

By: /s/ Craig F. Courtemanche, Jr.
Craig F. Courtemanche, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 6, 2022

By: /s/ Paul Lyandres
Paul Lyandres
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: May 6, 2022

1.	I have reviewed this Form 10-0 of Proton Technologies, Inc.,
2.	Based on my knowledge, this report does not contain any untrue statement of a material fact or 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 consolidated results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4.	The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have: (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; (b) 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 (c) 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 materially affected, or is reasonably likely to materially affect, the registrant's internal control.
5.	The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Craig F. Courtemanche, Jr.
Craig F. Courtemanche, Jr.
President and Chief Executive Officer

1. I have reviewed this Form 10-Q of Procore Technologies, Inc.;

- Date: May 6, 2022

By: /s/ Paul Lyandres
Paul Lyandres
Chief Financial Officer

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Craig F. Courtemanche, Jr., President and Chief Executive Officer of Procore Technologies, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2022, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

By: _____
/s/ Craig F. Courtemanche, Jr.
Craig F. Courtemanche, Jr.
President and Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Procore Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Paul Lyandres, Chief Financial Officer of Procore Technologies, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2022, to which this Certification is attached as Exhibit 32.2 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

By: _____
/s/ Paul Lyandres
Paul Lyandres
Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Procore Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.