

**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 September 30, 2023
OR

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

For the transition period from _____ to _____
Commission File Number: 001-40396

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

Delaware
(State or other jurisdiction of
incorporation or organization)
6309 Carpinteria Avenue
Carpinteria, CA
(Address of principal executive offices)

73-1636261
(I.R.S. Employer
Identification No.)
93013
(Zip Code)

Registrant's telephone number, including area code: (866) 477-6267

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

Title of each class	Trading Symbol(s)	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 October 27, 2023, the registrant had 143,492,433 shares of common stock, \$0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (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 fact contained in this Quarterly Report on Form 10-Q are forward-looking statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future 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 ability to effectively manage our growth;
- anticipated performance, trends, growth rates, and challenges in our business and in the markets in which we operate or anticipate entering into;
- 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 expectations regarding our ability to successfully integrate our recent acquisitions into our business and receive the anticipated benefits from such transactions;
- our ability to develop new products, services, and features, and whether our customers and prospective customers will adopt these new products, services, 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, including our strategic investments and investments in marketable securities;
- 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;
- our reliance on key personnel and our ability to attract, maintain, and retain management and skilled personnel; and
- the future trading price of our common stock.

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.

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.

RISK FACTORS SUMMARY

Investing in our common stock involves a high degree of risk. Below is a summary of factors material to our business 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 performance. 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 in spending across the construction industry;
- the construction management software industry is evolving rapidly and may not develop in ways we expect. If we fail to respond adequately to changes in the industry, our business, financial condition, results of operations, and prospects could be materially adversely affected;
- we are continuing to expand our operations outside the U.S., where we may be subject to increased business, regulatory, and economic risks (including fluctuations in currency exchange rates) 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 retain and expand our customer base may be impaired, and our business may be harmed;
- our ability to increase our customer base and achieve broader market acceptance of our products, services, and platform will significantly depend on our ability to develop and expand our sales and marketing capabilities, the failure of which 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;
- interruptions or performance issues associated with our products, services, and platform, including the interoperability of our platform across devices, operating systems, and third-party applications, could materially adversely affect our business, financial condition, results of operations, and prospects;
- 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;
- 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 are subject to stringent, changing, and sometimes potentially inconsistent obligations related to data privacy and security, both domestically and internationally, 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;

- our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets and otherwise 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, which could materially adversely affect our business, financial condition, results of operations, and prospects; and
- 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.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Procore Technologies, Inc. Condensed Consolidated Balance Sheets *(unaudited)*

<i>(in thousands, except number of shares and par value)</i>	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 318,318	\$ 296,712
Marketable securities (amortized cost of \$308,593 and \$286,001 at September 30, 2023 and December 31, 2022, respectively)	308,162	285,493
Accounts receivable, net of allowance for credit losses of \$4,324 and \$4,113 at September 30, 2023 and December 31, 2022, respectively	145,714	148,683
Contract cost asset, current	26,656	23,600
Prepaid expenses and other current assets	43,096	44,731
Total current assets	841,946	799,219
Capitalized software development costs, net	76,931	58,577
Property and equipment, net	37,381	39,193
Right of use assets - finance leases	35,013	37,026
Right of use assets - operating leases	47,481	41,934
Contract cost asset, non-current	42,232	40,477
Intangible assets, net	144,227	162,953
Goodwill	539,108	539,128
Other assets	18,682	21,903
Total assets	\$ 1,783,001	\$ 1,740,410
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 16,911	\$ 14,282
Accrued expenses	95,130	99,182
Deferred revenue, current	425,591	396,535
Other current liabilities	23,923	21,639
Total current liabilities	561,555	531,638
Deferred revenue, non-current	5,836	5,278
Finance lease liabilities, non-current	44,013	45,578
Operating lease liabilities, non-current	41,275	38,087
Other liabilities, non-current	6,571	3,049
Total liabilities	659,250	623,630
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 100,000,000 shares authorized at September 30, 2023 and December 31, 2022; 0 shares issued and outstanding at September 30, 2023 and December 31, 2022.	—	—
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized at September 30, 2023 and December 31, 2022; 143,452,776 and 139,159,534 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.	14	14
Additional paid-in capital	2,235,480	2,068,225
Accumulated other comprehensive loss	(2,425)	(2,316)
Accumulated deficit	(1,109,318)	(949,143)
Total stockholders' equity	1,123,751	1,116,780
Total liabilities and stockholders' equity	\$ 1,783,001	\$ 1,740,410

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

Procore Technologies, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss *(unaudited)*

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 247,907	\$ 186,429	\$ 689,969	\$ 518,150
Cost of revenue	44,125	37,779	126,631	107,846
Gross profit	203,782	148,650	563,338	410,304
Operating expenses				
Sales and marketing	129,672	109,608	372,397	306,806
Research and development	72,708	71,493	225,960	195,569
General and administrative	51,753	39,362	143,324	123,181
Total operating expenses	254,133	220,463	741,681	625,556
Loss from operations	(50,351)	(71,813)	(178,343)	(215,252)
Interest income	4,721	1,922	14,612	2,674
Interest expense	(490)	(504)	(1,477)	(1,636)
Accretion income, net	2,952	666	6,615	666
Other expense, net	(486)	(1,143)	(1,009)	(1,490)
Loss before provision for income taxes	(43,654)	(70,872)	(159,602)	(215,038)
Provision for income taxes	193	333	573	709
Net loss	\$ (43,847)	\$ (71,205)	\$ (160,175)	\$ (215,747)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.31)	\$ (0.52)	\$ (1.13)	\$ (1.59)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	142,828,406	137,180,639	141,249,446	135,888,952
Other comprehensive loss				
Foreign currency translation adjustment, net of tax	\$ (565)	\$ (1,277)	\$ (186)	\$ (1,723)
Unrealized income (loss) on available-for-sale debt and marketable securities, net of tax	141	(443)	77	(443)
Total other comprehensive loss	(424)	(1,720)	(109)	(2,166)
Comprehensive loss	\$ (44,271)	\$ (72,925)	\$ (160,284)	\$ (217,913)

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

Procore Technologies, Inc.
Condensed Consolidated Statements of Stockholders' Equity *(unaudited)*

<i>(in thousands, except share amounts)</i>	Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of December 31, 2021	134,046,926	\$ 13	\$	1,852,071	\$ (583)	\$ (662,212)	\$ 1,189,289
Exercise of stock options	697,998	—		6,795	—	—	6,795
Stock-based compensation	—	—		39,375	—	—	39,375
Issuance of common stock upon settlement of restricted stock units	706,663	—		—	—	—	—
Other comprehensive income	—	—		—	345	—	345
Net loss	—	—		—	—	(71,419)	(71,419)
Balance as of March 31, 2022	135,451,587	\$ 13	\$	1,898,241	\$ (238)	\$ (733,631)	\$ 1,164,385
Exercise of stock options	509,505	—		8,220	—	—	8,220
Stock-based compensation	—	—		35,790	—	—	35,790
Issuance of common stock upon settlement of restricted stock units	552,401	1		—	—	—	1
Issuance of common stock for employee stock purchase plan	286,997	—		11,513	—	—	11,513
Adjustment of holdback share release for business combination	(605)	—		—	—	—	—
Other comprehensive loss	—	—		—	(791)	—	(791)
Net loss	—	—		—	—	(73,123)	(73,123)
Balance as of June 30, 2022	136,799,885	\$ 14	\$	1,953,764	\$ (1,029)	\$ (806,754)	\$ 1,145,995
Exercise of stock options	291,280	—		4,232	—	—	4,232
Stock-based compensation	—	—		46,999	—	—	46,999
Issuance of common stock upon settlement of restricted stock units	877,139	—		—	—	—	—
Other comprehensive loss	—	—		—	(1,720)	—	(1,720)
Net loss	—	—		—	—	(71,205)	(71,205)
Balances as of September 30, 2022	137,968,304	\$ 14	\$	2,004,995	\$ (2,749)	\$ (877,959)	\$ 1,124,301

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

Procore Technologies, Inc.
Condensed Consolidated Statements of Stockholders' Equity *(unaudited)*

<i>(in thousands, except share amounts)</i>	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2022	139,159,534	\$ 14	\$ 2,068,225	\$ (2,316)	\$ (949,143)	\$ 1,116,780
Exercise of stock options	272,032	—	3,651	—	—	3,651
Stock-based compensation	—	—	47,060	—	—	47,060
Issuance of common stock upon settlement of restricted stock units	940,122	—	—	—	—	—
Other comprehensive income	—	—	—	308	—	308
Net loss	—	—	—	—	(63,447)	(63,447)
Balance as of March 31, 2023	140,371,688	\$ 14	\$ 2,118,936	\$ (2,008)	\$ (1,012,590)	\$ 1,104,352
Exercise of stock options	549,328	—	7,304	—	—	7,304
Stock-based compensation	—	—	44,647	—	—	44,647
Issuance of common stock upon settlement of restricted stock units	963,723	—	—	—	—	—
Issuance of common stock for employee stock purchase plan	316,042	—	13,006	—	—	13,006
Other comprehensive income	—	—	—	7	—	7
Net loss	—	—	—	—	(52,881)	(52,881)
Balance as of June 30, 2023	142,200,781	\$ 14	\$ 2,183,893	\$ (2,001)	\$ (1,065,471)	\$ 1,116,435
Exercise of stock options	311,427	—	4,071	—	—	4,071
Stock-based compensation	—	—	47,516	—	—	47,516
Issuance of common stock upon settlement of restricted stock units	940,568	—	—	—	—	—
Other comprehensive loss	—	—	—	(424)	—	(424)
Net loss	—	—	—	—	(43,847)	(43,847)
Balance as of September 30, 2023	143,452,776	\$ 14	\$ 2,235,480	\$ (2,425)	\$ (1,109,318)	\$ 1,123,751

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

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

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net loss	\$ (160,175)	\$ (215,747)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Stock-based compensation	132,234	115,881
Depreciation and amortization	51,943	46,453
Accretion of discounts on marketable debt securities, net	(6,615)	(650)
Abandonment of long-lived assets	812	1,064
Noncash operating lease expense	7,932	7,559
Unrealized foreign currency loss, net	739	881
Deferred income taxes	7	(350)
Provision for credit losses	6,882	1,337
Decrease (increase) in fair value of strategic investments	155	(36)
Changes in operating assets and liabilities, net of effect of asset acquisition		
Accounts receivable	3,144	6,379
Deferred contract cost assets	(5,099)	(12,589)
Prepaid expenses and other assets	(1,878)	(8,210)
Accounts payable	2,258	2,141
Accrued expenses and other liabilities	(1,975)	23,064
Deferred revenue	29,080	29,849
Operating lease liabilities	(8,172)	(7,110)
Net cash provided by (used in) operating activities	51,272	(10,084)
Investing activities		
Purchases of property and equipment	(8,073)	(13,670)
Capitalized software development costs	(25,187)	(24,783)
Purchases of strategic investments	(526)	(3,653)
Purchases of marketable securities	(309,282)	(293,078)
Maturities of marketable securities	287,620	—
Sales of marketable securities	5,452	—
Originations of materials financing	(23,585)	(16,750)
Customer repayments of materials financing	21,053	11,997
Asset acquisition, net of cash acquired	(6,011)	—
Settlement of post-close working capital adjustments from business combinations	—	1,291
Net cash used in investing activities	(58,539)	(338,646)
Financing activities		
Proceeds from stock option exercises	15,094	19,345
Proceeds from employee stock purchase plan	13,006	11,513
Payments of deferred offering costs	—	(270)
Principal payments under finance lease agreements, net of proceeds from lease incentives	(1,450)	(1,330)
Net cash provided by financing activities	26,650	29,258
Net increase (decrease) in cash, cash equivalents and restricted cash	19,383	(319,472)
Effect of exchange rate changes on cash	(881)	(2,014)
Cash, cash equivalents and restricted cash, beginning of period	299,816	589,212
Cash, cash equivalents and restricted cash, end of period	318,318	267,726

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

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

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2023	2022
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents at end of period	\$ 318,318	\$ 264,622
Restricted cash, non-current at end of period included in other assets	—	3,104
Total cash, cash equivalents and restricted cash at end of period shown in the condensed consolidated statements of cash flows	\$ 318,318	\$ 267,726
Supplemental disclosure of cash flow information		
Cash paid for interest other than finance leases	\$ 4	\$ 77
Cash paid for income taxes, net of refunds received	682	746
Stock-based compensation capitalized for cloud-computing arrangement costs	246	242
Cash received for lease incentives	537	721
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	1,473	1,519
Operating cash flows from operating leases	9,710	9,095
Financing cash flows from finance leases	1,536	1,420
Noncash investing and financing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses at period end	792	1,998
Capitalized software development costs included in accounts payable and accrued expenses at period end	1,693	2,192
Stock-based compensation capitalized for software development	6,743	6,201
Asset acquisition costs included in accounts payable and accrued expenses at period end	370	—
Conversion of available-for-sale debt securities into equity securities	—	3,680
Right of use assets obtained in exchange for operating lease liabilities	13,638	11,495
Noncash net change due to operating lease remeasurement	—	(1,660)

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

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Description of business

Procore Technologies, Inc. (together with its subsidiaries, “Procore” or the “Company”) provides a cloud-based construction management platform and related products and services 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. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“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, 2022. The condensed consolidated balance sheet information as of December 31, 2022 has been derived from the Company’s 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 or asset acquisition, stock-based compensation expense, 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, provision for credit losses, 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 the Company’s estimates.

Segments

The Company operates 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. The Company’s CODM is its Chief Executive Officer. In recent years, the Company has completed a number of acquisitions which have allowed it to expand its platform capabilities and related product and service offerings.

While the Company provides different product and service offerings, including as a result of its acquisitions, its business operates as one operating segment because its CODM evaluates the Company’s financial information for purposes of assessing financial performance and allocating resources on a consolidated basis.

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

Marketable securities

Investments with stated maturities of greater than three months are classified as marketable securities, which consist of United States ("U.S.") treasury securities, commercial paper, corporate notes and obligations, and time deposits. The Company classifies each marketable debt security as either short-term or long-term at each balance sheet date based on the underlying investment's contractual maturity date. Short-term investments are investments with an original maturity date of less than one year when purchased. All marketable securities held as of September 30, 2023 and December 31, 2022 are classified and accounted for as short-term available-for-sale debt securities, which are carried at fair value. The Company determines the appropriate classification of each investment at the time of purchase and re-evaluates such classification at each balance sheet date.

The Company periodically assesses its portfolio of marketable securities for impairment. The Company evaluates each investment in an unrealized loss position to determine if any portion of the unrealized loss is related to credit losses. In determining whether a credit loss may exist, the Company considers the extent of the unrealized loss position, any adverse conditions specifically related to the security or the issuer's operating environment, the pay structure of the security, the issuer's payment history, and any changes in the issuer's credit rating. Unrealized losses on marketable securities due to expected credit losses are recognized in other (expense) income, net in the accompanying condensed consolidated statements of operations and comprehensive loss, and any excess unrealized gains and losses, net of tax, that are not due to expected credit losses are included in accumulated other comprehensive loss, a component of stockholders' equity. During the three and nine months ended September 30, 2023, there were no credit losses recorded on marketable securities. Interest recorded on marketable securities is recorded in interest income, with accretion of discounts, net of amortization of premiums, recorded in accretion income, net, on the accompanying condensed consolidated statements of operations and comprehensive loss.

Materials financing revenues and receivables

In connection with its acquisition of Express Lien, Inc. (d/b/a Levelset) ("Levelset"), in November 2021, the Company assumed a materials financing program, which has facilitated the purchase of construction materials from fulfillment partners (the Company's suppliers) on behalf of its customers, allowing such customers to finance their materials purchases from the Company on deferred payment terms. The fulfillment partner is primarily responsible for fulfilling the materials purchases and the Company does not have control over such materials. The Company has earned revenues from origination fees and earns finance charges on the amounts it has financed for customers on deferred payment terms, which are typically 120 days. Such fees earned are computed and recognized based on the effective interest method and are presented net of any related reserves and amortization of deferred origination costs. In October 2023, the Company ceased originations under the materials financing program.

Gross receivables outstanding from customers under the materials financing program were \$12.4 million and \$13.6 million as of September 30, 2023 and December 31, 2022, respectively. The related allowance for expected credit losses for materials financing receivables was \$4.4 million and \$2.1 million as of September 30, 2023 and December 31, 2022, respectively. Materials financing receivables, net of allowances, are recorded within prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets.

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 September 30, 2023 and December 31, 2022, the Company's self-insurance accrual was \$2.3 million and \$1.9 million, respectively, included within other current liabilities on the accompanying condensed consolidated balance sheet.

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

Strategic investments*Investments in equity securities*

The Company holds investments in equity securities of certain privately held companies, which do not have readily determinable fair values. The Company does not have a controlling interest or significant influence in these companies. The Company has 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. This election is reassessed each reporting period to determine whether a non-marketable equity security has a readily determinable fair value, in which case the security would no longer be eligible for this election. All gains and losses on such equity securities, realized and unrealized, are recorded in other expense, net on the accompanying condensed consolidated statements of operations and comprehensive loss. The Company evaluates its 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 accompanying condensed consolidated statements of operations and comprehensive loss for the amount by which the carrying value exceeds the fair value of the investment.

Investments in limited partnership funds

The Company also holds investments in certain limited partnership funds. The Company does not hold a controlling interest or significant influence in these limited partnerships. The fair value of such investments is valued using the Net Asset Value ("NAV") provided by the fund administrator as a practical expedient.

Available-for-sale debt securities

The Company also holds certain investments in debt securities of privately held companies, which are classified as available-for-sale debt securities. Such available-for-sale debt securities are recorded at fair value with changes in fair value recorded in other comprehensive income or loss. The Company periodically reviews its 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 (expense) income, 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.

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.
- 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 September 30, 2023 and December 31, 2022, 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 measures its cash held in money market funds, marketable securities, and investments in available-for-sale debt securities at fair value each reporting period. The estimation of fair value for available-for-sale debt securities in private companies requires the use of significant unobservable inputs, and as a result, the Company classifies these assets as Level 3 within the fair value hierarchy.

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

The Company's investments in equity securities of privately held companies are recorded at fair value on a non-recurring basis. 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 uses them to estimate the fair value of the investments. The Company's investments in limited partnerships are valued using NAV as a practical expedient and therefore excluded from the fair value hierarchy.

Restricted cash

As of December 31, 2022, the Company held \$3.1 million of restricted cash to secure corporate credit cards. During the three months ended June 30, 2023, \$3.1 million of restricted cash was released from restriction, based on negotiations with the related bank.

Deferred revenue

Contract liabilities consist of revenue that is deferred when the Company has the contractual right to invoice in advance of transferring services to its customers. The Company recognized revenue of \$204.3 million and \$152.9 million during the three months ended September 30, 2023 and 2022, respectively, that was included in deferred revenue balances at the beginning of the respective periods. The Company recognized revenue of \$362.0 million and \$271.9 million during the nine months ended September 30, 2023 and 2022, 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 ("RPO") 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. Our current RPO represents future revenue under existing contracts that is expected to be recognized as revenue in the next 12 months. As of September 30, 2023, the aggregate amount of the transaction price allocated to RPO was \$890.4 million, of which the Company expects to recognize \$635.0 million, or 71%, as revenue in the next 12 months, and substantially all of the remaining \$255.4 million between 12 and 36 months thereafter.

3. INVESTMENTS

Marketable securities

Marketable securities consisted of the following as of September 30, 2023 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	\$ 122,063	\$ 3	\$ (134)	\$ 121,932
Commercial paper	72,851	—	(74)	72,777
Corporate notes and obligations	96,564	8	(232)	96,340
Time deposits	17,115	7	(9)	17,113
Total marketable securities	<u>\$ 308,593</u>	<u>\$ 18</u>	<u>\$ (449)</u>	<u>\$ 308,162</u>

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

Marketable securities consisted of the following as of December 31, 2022 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	\$ 86,666	\$ 7	\$ (196)	\$ 86,477
Commercial paper	73,234	6	(326)	72,914
Corporate notes and obligations	65,150	—	—	65,150
Time deposits	60,951	1	—	60,952
Total marketable securities	<u>\$ 286,001</u>	<u>\$ 14</u>	<u>\$ (522)</u>	<u>\$ 285,493</u>

All marketable securities held as of September 30, 2023 and December 31, 2022 had a contractual maturity of less than one year. During the nine months ended September 30, 2023, there were maturities and sales of marketable securities of \$287.6 million and \$5.5 million, respectively. During the nine months ended September 30, 2022, there were no maturities or sales of marketable securities. Realized losses on the sale of marketable securities are recorded in other expense, net on the accompanying condensed consolidated statements of operations and comprehensive loss. Such losses were immaterial during the nine months ended September 30, 2023. There were no impairments of marketable securities in any period presented.

Strategic investments

Strategic investment activity during the nine months ended September 30, 2023 is summarized as follows (in thousands):

	Equity Securities	Limited Partnerships	Available-for- Sale Debt Securities	Total
Balance as of December 31, 2022	\$ 7,286	\$ 3,402	\$ 355	\$ 11,043
Interest accrued on available-for-sale debt securities	—	—	5	5
Purchases of strategic investments	—	526	—	526
Unrealized loss on strategic investments	—	(155)	—	(155)
Balance as of September 30, 2023	<u>\$ 7,286</u>	<u>\$ 3,773</u>	<u>\$ 360</u>	<u>\$ 11,419</u>

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

Strategic investment activity during the nine months ended September 30, 2022 is summarized as follows (in thousands):

	Equity Securities	Limited Partnerships	Available-for-Sale Debt Securities	Total
Balance as of December 31, 2021	\$ 3,882	\$ —	\$ 3,450	\$ 7,332
Interest accrued on available-for-sale debt securities	—	—	103	103
Purchases of strategic investments	—	3,303	350	3,653
Conversion of available-for-sale debt securities into equity securities	3,680	—	(3,680)	—
Unrealized gain (loss) on strategic investments	186	(150)	130	166
Balance as of September 30, 2022	<u>\$ 7,748</u>	<u>\$ 3,153</u>	<u>\$ 353</u>	<u>\$ 11,254</u>

Strategic investments are recorded in other assets on the accompanying condensed consolidated balance sheets. As of September 30, 2023, in connection with the Company's investments in limited partnerships, it has a contractual obligation to provide additional investment funding of up to \$5.9 million at the option of the investees. No impairment losses were recorded in any period presented.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets measured at fair value on a recurring basis within the fair value hierarchy are summarized as follows (in thousands):

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 286,061	\$ —	\$ —	\$ 286,061
Marketable securities:				
U.S. treasury securities	121,932	—	—	121,932
Commercial paper	—	72,777	—	72,777
Corporate notes and obligations	—	96,340	—	96,340
Time deposits	—	17,113	—	17,113
Strategic investments:				
Investments in available-for-sale debt securities	—	—	360	360
Total	<u>\$ 407,993</u>	<u>\$ 186,230</u>	<u>\$ 360</u>	<u>\$ 594,583</u>

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

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 30,200	\$ —	\$ —	\$ 30,200
Marketable securities:				
U.S. treasury securities	86,477	—	—	86,477
Commercial paper	—	72,914	—	72,914
Corporate notes and obligations	—	65,150	—	65,150
Time deposits	—	60,952	—	60,952
Strategic investments:				
Investments in available-for-sale debt securities	—	—	355	355
Total	<u>\$ 116,677</u>	<u>\$ 199,016</u>	<u>\$ 355</u>	<u>\$ 316,048</u>

5. LEASES

The Company has primarily entered into lease arrangements for office space, in addition to other miscellaneous equipment. The Company's leases have initial non-cancelable lease terms ranging from one to 10 years. Some of the Company's leases include an option for it to extend the term of the lease for up to 10 years.

Operating lease commencements and modifications resulted in net increases to right of use assets—operating leases and corresponding operating lease liabilities on the accompanying condensed consolidated balance sheet of \$13.6 million and \$11.5 million during the nine months ended September 30, 2023 and 2022, respectively. The lease additions during the nine months ended September 30, 2023, primarily relate to office space leases in Dublin, Ireland and Tampa, Florida, which were executed during 2023, and Toronto, Canada, which was executed during 2022.

6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

On September 15, 2023, the Company completed the acquisition of all outstanding equity of Unearth Technologies, Inc. ("Unearth"). This acquisition was accounted for as an asset acquisition as substantially all of the fair value of the gross assets acquired were concentrated in a single identifiable asset. The value of developed technology acquired was \$9.2 million, which is comprised of \$6.8 million of cash paid to Unearth, \$2.3 million as a result of the tax consequences of the transaction, and capitalized transaction expenses, which were immaterial. The acquired developed technology has an estimated useful life of five years, and the amortization expense is recorded in cost of revenue on the accompanying condensed consolidated statements of operations and comprehensive loss.

The Company's finite-lived intangible assets are summarized as follows (in thousands):

September 30, 2023				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life (Years)
Developed technology	\$ 166,302	\$ (60,547)	\$ 105,755	4.5
Customer relationships	66,350	(27,878)	38,472	4.4
Total	<u>\$ 232,652</u>	<u>\$ (88,425)</u>	<u>\$ 144,227</u>	4.5

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

December 31, 2022				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life (Years)
Developed technology	\$ 157,130	\$ (41,968)	\$ 115,162	5.1
Customer relationships	66,350	(18,559)	47,791	4.9
Total	\$ 223,480	\$ (60,527)	\$ 162,953	5.1

The Company estimates that there is no significant residual value related to its intangible assets. Intangible assets amortization expense is summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 5,506	\$ 5,627	\$ 16,492	\$ 16,935
Sales and marketing	3,106	3,106	9,319	9,318
Research and development	678	877	2,087	2,674
Total amortization of acquired intangible assets	\$ 9,290	\$ 9,610	\$ 27,898	\$ 28,927

Goodwill

As of September 30, 2023, the Company had goodwill of \$539.1 million on its condensed consolidated balance sheet. The change in the Company's goodwill balance during the three and nine months ended September 30, 2023 was due to the effect of foreign currency translation. There was no impairment of goodwill during the periods presented.

7. ACCRUED EXPENSES

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

	September 30, 2023	December 31, 2022
Accrued bonuses	\$ 24,184	\$ 28,357
Accrued commissions	13,112	20,389
Accrued salary, payroll tax, and employee benefit liabilities	42,105	34,113
Other accrued expenses	15,729	16,323
Total accrued expenses	\$ 95,130	\$ 99,182

8. COMMITMENTS AND CONTINGENCIES

Purchase commitments

The Company's purchase commitments relate to non-cancelable multi-year agreements with third parties to purchase software service subscriptions and other services. During the nine months ended September 30, 2023, the Company executed a renewal agreement for hosting services for a total minimum commitment of \$45.0 million, to be paid from February 2023 through February 2025. As of September 30, 2023, there was \$34.2 million of minimum purchase commitments outstanding under the renewal agreement. Outside of this

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

renewal agreement, there were no further material changes to the Company's purchase commitments from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

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 indeterminable.

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.

9. STOCK-BASED COMPENSATION

2021 Equity Incentive Plan

In May 2021, the Company's board of directors (the "Board") 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. As of December 31, 2022, a total of 37,664,961 shares of common stock were authorized for issuance under the 2021 Plan. The number of shares of the Company's common stock reserved for issuance under the 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 either (i) 5% of the total number of shares of the Company's 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 the Board prior to the applicable January 1. Accordingly, on January 1, 2023, the number of shares of common stock that may be issued under the 2021 Plan increased by an additional 6,957,976 shares. As a result, as of September 30, 2023, a total of 44,622,937 shares of common stock are authorized for issuance under the 2021 Plan. As of September 30, 2023, a total of 31,407,854 shares of common stock were available for issuance under the 2021 Plan. No stock options have been issued under the 2021 Plan.

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Stock options

No stock options were granted during the periods presented.

The following table summarizes the stock option activity during the nine months ended September 30, 2023:

	Number of Shares	Weighted- Average Exercise Price
Outstanding at December 31, 2022	5,723,772	\$ 12.65
Exercised	(1,132,787)	13.26
Canceled/Forfeited	(5,336)	21.79
Outstanding at September 30, 2023	4,585,649	12.49
Exercisable at September 30, 2023	4,584,991	\$ 12.49

As of September 30, 2023, the total unrecognized stock-based compensation cost for unvested stock options was less than \$0.1 million, which is expected to be recognized over a weighted-average period of 0.1 years.

Restricted stock units

In 2018, the Company began issuing RSUs to certain employees, officers, non-employee consultants, and directors. Substantially all of the RSUs granted subsequent to the Company's initial public offering ("IPO") vest based solely on continued service, which is generally over four years, on either a quarterly or annual vesting schedule.

During 2022, and in connection with the recent acquisition of Unearth, the Company began granting performance-based restricted stock units ("PSUs") to certain employees with vesting terms based on the achievement of certain operating performance targets. The Company recognizes compensation expense for such awards in the period in which it becomes probable that the performance target will be achieved. Compensation expense for awards that contain performance conditions is calculated using the graded vesting method and the portion of expense recognized in any period may fluctuate depending on changing estimates of the achievement of the performance conditions. As of September 30, 2023, the Company has granted 98,572 PSUs to certain non-executive employees at a weighted-average grant date fair value of \$54.58 per share. During the nine months ended September 30, 2023 and 2022, the Company recognized stock-based compensation expense of \$0.2 million and \$0.5 million, respectively, relating to these shares.

The following table summarizes the RSU and PSU activity during the nine months ended September 30, 2023:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding at December 31, 2022	8,495,298	\$ 57.94
Granted	3,418,000	60.02
Vested	(2,844,413)	54.23
Canceled/Forfeited	(958,932)	66.98
Outstanding at September 30, 2023	8,109,953	\$ 59.05

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Notes to Condensed Consolidated Financial Statements (unaudited)

As of September 30, 2023, the total unrecognized stock-based compensation cost for all RSUs and PSUs outstanding was \$416.5 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. During the nine months ended September 30, 2023, the Company recognized \$5.5 million in stock-based compensation related to RSAs whose vesting was accelerated upon the departure of certain employees. The Company also expensed \$3.4 million during the nine months ended September 30, 2023 related to the accelerated vesting of cash retention amounts upon such employees' departures, which were recorded in prepaid expenses and other current assets as of December 31, 2022.

As of September 30, 2023 and December 31, 2022, 195,620 and 99,833 shares have vested, respectively. During the nine months ended September 30, 2023 and 2022, the Company recognized stock-based compensation expense of \$7.7 million and \$7.1 million, respectively, relating to these shares.

Employee Stock Purchase Plan

In May 2021, the Board 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 the Company's 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 the Company's common stock outstanding on December 31 of the immediately preceding year; and (ii) 3,900,000 shares, except before the date of any such increase, the Board may determine that such increase will be less than the amount set forth in clauses (i) and (ii). Accordingly, on January 1, 2023, the number of shares of common stock reserved under the ESPP increased by an additional 1,391,595 shares.

The offering periods are scheduled to start in May and November of each year. 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, subject to reset and rollover provisions.

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 will 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 generally 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.

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Notes to Condensed Consolidated Financial Statements (unaudited)

The fair value of the ESPP purchase rights on the date of grant using the Black-Scholes option pricing model was estimated using the following assumptions during the nine months ended September 30, 2023:

Risk-free interest rate	4.68% to 5.17%
Expected term (in years)	0.5 to 1.0
Estimated dividend yield	0.00%
Estimated weighted-average volatility	58.00% to 64.76%

The term for the ESPP purchase rights is the offering period. Given the Company's limited trading history, the Company continues to estimate volatility using the historical volatilities of a group of public companies in a similar industry and stage of life cycle, selected by management, in addition to considering the Company's own historical volatility, for a period commensurate with the term of the ESPP purchase rights. The interest rate is derived from government bonds with a similar term to the ESPP purchase right granted. The Company has not declared, nor does it expect to declare, dividends in the foreseeable future. Consequently, an expected dividend yield of zero is 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 \$10.9 million and \$4.7 million as of September 30, 2023 and December 31, 2022, respectively, and are included within accrued expenses on the accompanying 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. During the nine months ended September 30, 2023 and 2022, the Company recorded stock-based compensation of \$7.9 million and \$11.6 million, respectively, in connection with the ESPP and 316,042 and 286,997 shares of the Company's common stock, respectively, were purchased under the ESPP.

As of September 30, 2023, unrecognized stock-based compensation expense related to the ESPP was \$7.0 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, PSUs, RSAs, and the ESPP as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 1,931	\$ 1,835	\$ 5,509	\$ 5,339
Sales and marketing	14,310	15,483	41,781	38,351
Research and development	16,347	17,758	52,395	43,910
General and administrative	12,221	9,701	32,549	28,281
Total stock-based compensation expense	\$ 44,809	\$ 44,777	\$ 132,234	\$ 115,881
Stock-based compensation capitalized for software development and cloud-computing arrangement implementation costs	2,706	2,382	6,989	6,443
Total stock-based compensation cost	\$ 47,515	\$ 47,159	\$ 139,223	\$ 122,324

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Notes to Condensed Consolidated Financial Statements *(unaudited)*

10. INCOME TAXES

For the three months ended September 30, 2023 and 2022, income tax expenses recorded by the Company were \$0.2 million and \$0.3 million, respectively. For the nine months ended September 30, 2023 and 2022, income tax expenses recorded by the Company were \$0.6 million and \$0.7 million, respectively. As of September 30, 2023, the Company maintained a full valuation allowance on its U.S. federal and state 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, the Company uses 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 loss per share is presented in conformity with the two-class method required for participating securities. 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.

As the Company has reported net losses attributable to common stockholders for all periods presented, all potentially dilutive securities are anti-dilutive and accordingly, basic net loss per share attributable to common stockholders equals diluted net loss per share attributable to common stockholders.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Restricted stock units, performance-based restricted stock units, and restricted stock awards subject to future vesting	8,536,196	8,759,518	8,706,812	7,998,571
Shares issuable pursuant to the ESPP	626,176	849,109	506,780	716,860
Shares of common stock issuable from stock options	4,691,842	6,142,312	5,147,097	6,652,983
Total	13,854,214	15,750,939	14,360,689	15,368,414

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue by geographic region:				
U.S.	\$ 212,902	\$ 159,585	\$ 593,135	\$ 442,963
Rest of the world	35,005	26,844	96,834	75,187
Total revenue	\$ 247,907	\$ 186,429	\$ 689,969	\$ 518,150
Percentage of revenue by geographic region:				
U.S.	86 %	86 %	86 %	85 %
Rest of the world	14 %	14 %	14 %	15 %

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 1, 2023. 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, except as required by law.

Overview

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

We are the leading global 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 connecting and empowering the construction industry's key stakeholders, such as owners, general contractors, specialty contractors, architects, and engineers, to collaborate and access our capabilities 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 system of record for the construction industry. We are also continuing to develop other programs and services to address related challenges faced by the construction industry's key stakeholders. Adoption of our products, services, and platform helps our 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 few 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 primarily 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, including customers' employees and 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, services, and platform. The number of customers on our platform has increased from 14,086 as of September 30, 2022 to 16,067 as of September 30, 2023, reflecting a year-over-year growth rate of 14%. All aforementioned customer counts exclude customers acquired from Express Lien, Inc. (d/b/a Levelset) ("Levelset") and Esticom, Inc. ("Esticom") that have not yet been renewed onto standard Procore annual contracts. Remaining Levelset and Esticom legacy customers will be included in our customer metrics once they are renewed onto standard Procore annual contracts or upon integration of the sales process.

Our ability to generate revenue depends on maintaining our relationships with our customers. Our gross retention rate ("GRR") reflects only customer losses and does not reflect customer expansion or contraction. We believe our high GRR demonstrates that we serve a vital role in our customers' operations, as the vast majority of our customers continue to use our products and platform and to renew their subscriptions. We believe that GRR is a key metric to understand our ability to retain our customer base and to evaluate whether our products and platform are addressing our customers' needs throughout the year.

To calculate GRR at the end of a particular period, we first calculate our annual recurring revenue ("ARR") from the cohort of active customers at the end of the period 12 months prior to the end of the period selected. We define ARR at the end of a particular period as the annualized dollar value of our subscriptions from customers as of such period end date. For multi-year subscriptions, ARR at the end of a particular period is measured by using the stated contractual subscription fees as of the period end date on which ARR is measured. For example, if ARR is measured during the first year of a multi-year contract, the first-year subscription fees are used to calculate ARR. ARR at the end of a particular period includes the annualized dollar value of subscriptions for which the term has not ended, and subscriptions for which we are negotiating a subscription renewal. ARR should be viewed independently of revenue determined in accordance with accounting principles generally accepted in the U.S. ("GAAP" or "U.S. GAAP") and does not represent our U.S. GAAP revenue on an annualized basis. ARR is not intended to be a replacement or forecast of revenue. We then calculate the value of ARR from any customers whose subscriptions terminated and were not renewed during the 12 months preceding the end of the period selected, which we refer to as churn. We then divide (a) the total prior period ARR minus churn by (b) the total prior period ARR to calculate the GRR. Our GRR was 95% as of both September 30, 2023 and 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 or signing up for new services, customers renewing and expanding their use of existing products and services, and maintaining or increasing the price of our existing products and services.

Remaining Performance Obligations

Our subscriptions typically have a term of one to three years. The transaction price allocated to remaining performance obligations ("RPO") 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. Our current RPO ("cRPO") represents future revenue under existing contracts that is expected to be recognized as revenue in the next 12 months.

The following table presents our cRPO and non-current RPO at the end of each period:

	September 30,		Change	
	2023	2022	Dollar	Percent
(dollars in thousands)				
Remaining performance obligations				
Current	\$ 635,000	\$ 501,400	\$ 133,600	27 %
Non-current	255,381	213,600	41,781	20 %
Total remaining performance obligations	<u>\$ 890,381</u>	<u>\$ 715,000</u>	<u>\$ 175,381</u>	<u>25 %</u>

We believe that cRPO is a key metric to track our ability to win fixed revenue commitments from new customers and to expand and retain existing customers. As of September 30, 2023, cRPO increased by \$133.6 million, or 27%, year-over-year. Approximately 41% of the increase was attributable to existing customers and 59% was attributable to new customers acquired during the twelve months ended September 30, 2023. We expect RPO to change from period to period primarily due to the size, timing, and duration of new customer contracts and customer renewals.

Continued Technology Innovation and Strategic Expansion of Our Products and Services

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 and services developed in-house and through our acquisitions of Zimfly, Inc., Honest Buildings, Inc., Construction BI, LLC, Esticom, LaborChart, and Levelset.

In connection with our acquisition of Levelset, we assumed a materials financing program for our customers. Purchasers of construction materials, typically specialty contractors, generally pay their materials suppliers on 30-day payment terms but typically do not recoup their costs for such materials for 60 to 120 days after they submit invoices for those materials to the general contractors. This disconnect between payment terms set by suppliers and when specialty contractors receive payment for those materials can pose risk and uncertainty to specialty contractors and their ability to manage their cash flow. Our materials financing program has facilitated the purchase of construction materials from fulfillment partners (our suppliers) on behalf of our customers, allowing such customers to pay us for the materials on deferred payment terms. We have typically charged an origination fee upon purchase of the materials and a weekly finance charge until receipt of deferred payment in full. We have used internal data where available on the performance and payment history of other project participants (like the property owner and general contractor) who are involved in the construction project to help determine whether to provide materials financing for a given project, and we have secured such financing with mechanic's lien rights. In circumstances of customer non-payment, our lien rights help enforce payment collections from property owners, lenders, and general contractors who are involved in such project, which in turn strengthens the collectability of amounts we financed for our customers. We have used capital from our balance sheet for our materials financing program. In October 2023, we ceased originations under the materials financing program.

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. For example, in March 2023, we launched Procore Risk Advisors, a modern construction brokerage that offers insurance and surety solutions. We also intend to continue to evaluate strategic acquisitions and investments in businesses and technologies to drive product and market expansion. Our future success is dependent on our ability to successfully develop or acquire, market, and sell existing and new products and services 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 ("UAE") in 2022. We have also developed focused sales and marketing efforts in Germany, where we do not maintain an office location. As a result of our international efforts, we support multiple languages and currencies. Non-U.S. revenue as a percentage of our total revenue was 14% and 15% for the nine months ended September 30, 2023 and 2022, respectively. We determine the percentage of non-U.S. revenue based on the billing location of each customer. Fluctuations in foreign currencies may positively or negatively impact the amount of revenue that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars.

Furthermore, we believe global demand for our products, services, and platform will continue to increase as we expand our international sales and marketing efforts, and the awareness of our products, services, 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, currencies, 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.

Macroeconomic Factors

Macroeconomic factors such as rising inflation, rising interest rates, volatility in capital markets, bank failures, and fluctuations in foreign exchange rates, may impact our operating expenses, customers' spending, and cash flows. We continuously monitor the ways in which such factors may directly or indirectly impact our business, results of operations, and financial condition. See the section titled "Risk Factors" in Part II of this Quarterly Report on Form 10-Q for further discussion.

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 personnel-related compensation expenses for our customer support team, including salaries, benefits, stock-based compensation, payroll taxes, commissions, and bonuses. Cost of revenue also includes third-party hosting costs, amortization of acquired technology intangible assets, amortization of capitalized software development costs related to our platform, software license fees, 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.

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, benefits, payroll taxes, and bonuses. To support the growth of our business, we also increased our headcount in each of these categories.

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, amortization of acquired customer relationship intangible assets, contractor costs to supplement our staff levels, consulting services, 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, services, and platform.

General and Administrative

General and administrative expenses primarily consist of personnel-related compensation expenses for our human resources, information technology, finance, legal, executive, 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; 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 general and administrative expenses to increase on an absolute dollar basis and vary from period to period as a percentage of revenue, as we continue to increase the size of our general and administrative functions to support the growth of our business, including our international expansion.

Interest Income

Interest income consists primarily of interest income earned on our marketable securities, money market funds, and cash savings accounts.

Interest Expense

Interest expense consists primarily of costs associated with our finance leases.

Accretion Income, Net

Accretion income, net consists of accretion of discounts, net of amortization of premiums, related to our available-for-sale marketable debt securities.

Other Expense, Net

Other expense, net primarily consists of gains or losses on foreign currency transactions, unrealized gains or losses on equity securities, and miscellaneous other income and expenses.

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. As we expand our international operations, we expect to incur increased foreign tax expenses. We have a full valuation allowance for net U.S. deferred tax assets. The U.S. valuation allowance includes net operating loss carryforwards ("NOL carryforwards") and tax credits related primarily to research and development for our operations in the U.S. We expect to maintain this full valuation allowance for our net U.S. 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Revenue	\$ 247,907	\$ 186,429	\$ 689,969	\$ 518,150
Cost of revenue ⁽¹⁾⁽²⁾⁽³⁾	44,125	37,779	126,631	107,846
Gross profit	203,782	148,650	563,338	410,304
Operating expenses				
Sales and marketing ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	129,672	109,608	372,397	306,806
Research and development ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	72,708	71,493	225,960	195,569
General and administrative ⁽¹⁾⁽³⁾⁽⁴⁾	51,753	39,362	143,324	123,181
Total operating expenses	254,133	220,463	741,681	625,556
Loss from operations	(50,351)	(71,813)	(178,343)	(215,252)
Interest income	4,721	1,922	14,612	2,674
Interest expense	(490)	(504)	(1,477)	(1,636)
Accretion income, net	2,952	666	6,615	666
Other expense, net	(486)	(1,143)	(1,009)	(1,490)
Loss before provision for income taxes	(43,654)	(70,872)	(159,602)	(215,038)
Provision for income taxes	193	333	573	709
Net loss	\$ (43,847)	\$ (71,205)	\$ (160,175)	\$ (215,747)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Revenue	100 %	100 %	100 %	100 %
Cost of revenue ⁽¹⁾⁽²⁾⁽³⁾	18 %	20 %	18 %	21 %
Gross profit	82 %	80 %	82 %	79 %
Operating expenses				
Sales and marketing ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	52 %	59 %	54 %	59 %
Research and development ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	29 %	38 %	33 %	38 %
General and administrative ⁽¹⁾⁽³⁾⁽⁴⁾	21 %	21 %	21 %	24 %
Total operating expenses	103 %	118 %	107 %	121 %
Loss from operations	(20 %)	(39 %)	(26 %)	(42 %)
Interest income	2 %	1 %	2 %	1 %
Interest expense	0 %	0 %	0 %	0 %
Accretion income, net	1 %	0 %	1 %	0 %
Other expense, net	0 %	(1 %)	0 %	0 %
Loss before provision for income taxes	(18 %)	(38 %)	(23 %)	(42 %)
Provision for income taxes	0 %	0 %	0 %	0 %
Net loss	(18 %)	(38 %)	(23 %)	(42 %)

(1) Includes stock-based compensation expense and amortization of capitalized stock-based compensation as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	\$ 2,981	\$ 1,835	8,357	5,339
Sales and marketing	14,390	15,483	41,964	38,351
Research and development	16,350	17,758	52,401	43,910
General and administrative	12,253	9,701	32,637	28,281
Total stock-based compensation expense*	\$ 45,974	\$ 44,777	\$ 135,359	\$ 115,881

*Includes amortization of capitalized stock-based compensation of \$1.2 million and \$3.1 million, respectively, for the three and nine months ended September 30, 2023 which was initially capitalized as capitalized software and cloud-computing arrangement implementation costs.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	\$ 5,506	\$ 5,627	\$ 16,492	\$ 16,935
Sales and marketing	3,106	3,106	9,319	9,318
Research and development	678	877	2,087	2,674
Total amortization of acquired intangible assets	\$ 9,290	\$ 9,610	\$ 27,898	\$ 28,927

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	\$ 133	\$ 99	439	248
Sales and marketing	766	682	2,383	1,607
Research and development	638	638	2,885	2,188
General and administrative	501	304	1,636	1,031
Total employer payroll tax on employee stock transactions	\$ 2,038	\$ 1,723	\$ 7,343	\$ 5,074

(4) Includes acquisition-related expenses as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Sales and marketing	\$ 548	\$ 655	\$ 2,002	\$ 1,070
Research and development	136	1,679	6,324	3,870
General and administrative	19	3	19	2,122
Total acquisition-related expenses	\$ 703	\$ 2,337	\$ 8,345	\$ 7,062

Comparison of the Three Months Ended September 30, 2023 and 2022

Revenue

	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Revenue	\$ 247,907	\$ 186,429	\$ 61,478	33 %

During the three months ended September 30, 2023, our revenue increased by \$61.5 million, or 33%, compared to the three months ended September 30, 2022, of which approximately 93% was attributable to revenue from existing customers and approximately 7% was attributable to revenue from new customers acquired during the three months ended September 30, 2023. The increase in revenue from existing customers includes the net benefit of a full quarter of subscription revenue in the third quarter of 2023 from customers that were newly acquired in the first half of 2023 and continued their subscriptions in the third quarter of 2023, and customers that expanded their subscriptions in the third quarter of 2023 through the purchase of additional construction volume or products and services.

Cost of Revenue, Gross Profit, and Gross Margin

	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Cost of revenue	\$ 44,125	\$ 37,779	\$ 6,346	17 %
Gross profit	203,782	148,650	55,132	37 %
Gross margin	82 %	80 %		

The increase in cost of revenue during the three months ended September 30, 2023 was partially attributable to an increase of \$2.2 million in personnel-related expenses, including an increase of \$2.1 million in salaries and wages driven by headcount and merit increases. The increase in cost of revenue was also attributable to a \$2.2 million increase in third-party cloud hosting and related services as we grow our customer base, and a \$1.8 million increase in amortization of capitalized software development costs. We increased our cost of revenue headcount by 4% since September 30, 2022 in order to continue to support the growth of our business.

Operating Expenses

	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Sales and marketing	\$ 129,672	\$ 109,608	\$ 20,064	18 %

The increase in sales and marketing expenses during the three months ended September 30, 2023 was primarily attributable to an increase of \$11.4 million in personnel-related expenses, including an increase of \$12.4 million in salaries and wages driven by headcount and merit increases, partially offset by a decrease of \$1.2 million in stock-based compensation expense. The increase in sales and marketing expenses was also attributable to a \$5.6 million increase in marketing events and expenses partially due to our Groundbreak event, which was held in September 2023 and in October 2022. We increased our sales and marketing headcount by 14% since September 30, 2022 in order to continue to drive customer growth.

	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Research and development	\$ 72,708	\$ 71,493	\$ 1,215	2 %

The increase in research and development expenses during the three months ended September 30, 2023 was primarily attributable to an increase of \$1.8 million in personnel-related expenses, including an increase of \$3.2 million in salaries and wages driven by headcount and merit increases, partially offset by a decrease of \$1.4 million in stock-based compensation expense. The increases in research and development expenses were partially offset by a \$1.5 million decrease in acquisition-related expenses related to the acceleration of cash retention payments in the first quarter of 2023 upon the departure of certain employees from our previous acquisitions. We increased our research and development headcount by 5% since September 30, 2022 in order to continue to build, enhance, maintain, and scale our products, services, and platform.

	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
General and administrative	\$ 51,753	\$ 39,362	\$ 12,391	31 %

The increase in general and administrative expenses during the three months ended September 30, 2023 was primarily due to a \$8.0 million increase in personnel-related expenses, including increases of \$5.3 million in salaries and wages and \$2.5 million in stock-based compensation expense driven by headcount and merit increases. The increase in general and administrative expenses was also attributable to a \$2.9 million increase in bad debt expenses relating to our materials financing receivables, which we do not expect to collect. We increased our general and administrative headcount by 15% since September 30, 2022 in order to continue to support the growth of our business.

Interest Income, Interest Expense, Accretion Income, Net, Other Expense, Net, and Provision for Income Taxes

	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Interest income	\$ 4,721	\$ 1,922	\$ 2,799	*
Interest expense	490	504	(14)	(3 %)
Accretion income, net	2,952	666	2,286	*
Other expense, net	486	1,143	(657)	(57 %)
Provision for income taxes	193	333	(140)	(42 %)

*Percentage not meaningful

During the three months ended September 30, 2023, our interest income increased by \$2.8 million, of which \$2.2 million relates to an increase in interest rates on our money market funds and cash savings accounts and \$0.6 million relates to interest earned as a result of our purchases of marketable securities, which began in the third quarter of 2022.

During the three months ended September 30, 2023, accretion income, net increased by \$2.3 million due to accretion income in excess of amortization of premiums as a result of our purchases of marketable securities, which began in the third quarter of 2022.

Comparison of the Nine Months Ended September 30, 2023 and 2022

Revenue

	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Revenue	\$ 689,969	\$ 518,150	\$ 171,819	33 %

During the nine months ended September 30, 2023, our revenue increased by \$171.8 million, or 33%, compared to the nine months ended September 30, 2022, of which approximately 75% was attributable to revenue from existing customers and approximately 25% was attributable to revenue from new customers acquired during the nine months ended September 30, 2023. The increase in revenue from existing customers includes the net benefit of a full nine months of subscription revenue in the 2023 from customers that were newly acquired in 2022 and continued their subscriptions in the first nine months of 2023, and customers that expanded their subscriptions in the 2023 through the purchase of additional construction volume or products and services.

Cost of Revenue, Gross Profit, and Gross Margin

	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Cost of revenue	\$ 126,631	\$ 107,846	\$ 18,785	17 %
Gross profit	563,338	410,304	153,034	37 %
Gross margin	82 %	79 %		

The increase in cost of revenue during the nine months ended September 30, 2023 was primarily attributable to an increase of \$9.6 million in personnel-related expenses, including an increase of \$9.2 million in salaries and wages driven by headcount and merit increases. The increase in cost of revenue was also attributable to a \$5.1 million increase in amortization of capitalized software development costs, and a \$3.8 million increase in third-party cloud hosting and related services as we grow our customer base. We increased our cost of revenue headcount by 4% since September 30, 2022 in order to continue to support the growth of our business.

Operating Expenses

	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
	(dollars in thousands)			
Sales and marketing	\$ 372,397	\$ 306,806	\$ 65,591	21 %

The increase in sales and marketing expenses during the nine months ended September 30, 2023 was primarily attributable to an increase of \$53.7 million in personnel-related expenses, including increases of \$49.5 million in salaries and wages and \$3.4 million in stock-based compensation expense driven by headcount and merit increases. The increase in sales and marketing expenses was also attributable to a \$8.6 million increase in marketing events and expenses to drive customer growth and partially due to our Groundbreak event, which was held in September 2023 and in October 2022, and a \$1.0 million increase in computer software expenses. The increases in sales and marketing expenses were partially offset by a decrease of \$3.4 million in

professional fees due to the transition of certain contractors to full-time employees. We increased our sales and marketing headcount by 14% since September 30, 2022 in order to continue to drive customer growth.

	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
(dollars in thousands)				
Research and development	\$ 225,960	\$ 195,569	\$ 30,391	16 %

The increase in research and development expenses during the nine months ended September 30, 2023 was primarily attributable to an increase of \$26.2 million in personnel-related expenses, including increases of \$17.1 million in salaries and wages and \$8.5 million in stock-based compensation expense driven by headcount and merit increases. The increase in research and development expenses was also attributable to a \$3.2 million increase in computer software expenses and a \$2.5 million increase in acquisition-related expenses. We increased our research and development headcount by 5% since September 30, 2022 in order to continue to build, enhance, maintain, and scale our products, services, and platform.

	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
(dollars in thousands)				
General and administrative	\$ 143,324	\$ 123,181	\$ 20,143	16 %

The increase in general and administrative expenses during the nine months ended September 30, 2023 was primarily due to a \$18.2 million increase in personnel-related expenses, including increases of \$13.3 million in salaries and wages and \$4.3 million in stock-based compensation expense driven by headcount and merit increases. The increase in general and administrative expenses was also attributable to a \$6.0 million increase in bad debt expenses relating to our materials financing receivables, which we do not expect to collect. The increases in general and administrative expenses were partially offset by a decrease of \$2.1 million in acquisition-related expenses. We increased our general and administrative headcount by 15% since September 30, 2022 in order to continue to support the growth of our business.

Interest Income, Interest Expense, Accretion Income, Net, Other Expense, Net, and Provision for Income Taxes

	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percent
(dollars in thousands)				
Interest income	\$ 14,612	\$ 2,674	\$ 11,938	*
Interest expense	1,477	1,636	(159)	(10 %)
Accretion income, net	6,615	666	5,949	*
Other expense, net	1,009	1,490	(481)	(32 %)
Provision for income taxes	573	709	(136)	(19 %)

*Percentage not meaningful

During the nine months ended September 30, 2023, our interest income increased by \$6.8 million due to interest earned as a result of our purchases of marketable securities, which began in the third quarter of 2022 and by \$5.1 million due to an increase in interest rates on our money market funds and cash savings accounts.

During the nine months ended September 30, 2023, accretion income, net increased by \$5.9 million due to accretion income in excess of amortization of premiums as a result of our purchases of marketable securities, which began in the third quarter of 2022.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. 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. Non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP. There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP, non-GAAP financial measures may be different from similarly-titled non-GAAP measures used by other companies since other companies may calculate such non-GAAP financial measures differently, and non-GAAP financial measures exclude expenses that may have a material impact on our reported financial results. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. 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. Investors should not rely on any single financial measure to evaluate our business.

Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Income (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. Stock-based compensation expense includes the net effects of capitalization and amortization of stock-based compensation expense related to capitalized software and cloud-computing arrangement implementation costs. Stock-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of the compensation provided to our employees. Because of varying available valuation methodologies, subjective assumptions, and the variety of equity instruments that can impact a company's non-cash expenses, we believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for meaningful comparisons between our operating results from period to period. The expense related to amortization of acquired intangible assets is dependent upon estimates and assumptions, which can vary significantly and are unique to each asset acquired; therefore, we believe that non-GAAP measures that adjust for the amortization of acquired intangible assets provide investors a consistent basis for comparison across accounting periods. The amount of employer payroll tax-related items on employee stock transactions is dependent on restricted stock unit settlements, option exercises, related stock price, and other factors that are beyond our control and that do not correlate to the operation of our business. When evaluating the performance of our business and making operating plans, we do not consider these items (for example, when considering the impact of equity award grants, we place a greater emphasis on overall stockholder dilution than the accounting charges associated with such grants). 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 our historical operating results and to other companies in our industry. Overall, we believe it is useful to exclude these expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results period-over-period and to those of peer companies.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Revenue	\$ 247,907	\$ 186,429	\$ 689,969	\$ 518,150
Gross profit	203,782	148,650	563,338	410,304
Stock-based compensation expense	2,981	1,835	8,357	5,339
Amortization of acquired technology intangible assets	5,506	5,627	16,492	16,935
Employer payroll tax on employee stock transactions	133	99	439	248
Non-GAAP gross profit	\$ 212,402	\$ 156,211	\$ 588,626	\$ 432,826
Gross margin	82 %	80 %	82 %	79 %
Non-GAAP gross margin	86 %	84 %	85 %	84 %

Reconciliation of operating expenses to non-GAAP operating expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Revenue	\$ 247,907	\$ 186,429	\$ 689,969	\$ 518,150
GAAP sales and marketing	129,672	109,608	372,397	306,806
Stock-based compensation expense	(14,390)	(15,483)	(41,964)	(38,351)
Amortization of acquired intangible assets	(3,106)	(3,106)	(9,319)	(9,318)
Employer payroll tax on employee stock transactions	(766)	(682)	(2,383)	(1,607)
Acquisition-related expenses	(548)	(655)	(2,002)	(1,070)
Non-GAAP sales and marketing	\$ 110,862	\$ 89,682	\$ 316,729	\$ 256,460
GAAP sales and marketing as a percentage of revenue	52 %	59 %	54 %	59 %
Non-GAAP sales and marketing as a percentage of revenue	45 %	48 %	46 %	49 %
GAAP research and development	\$ 72,708	\$ 71,493	\$ 225,960	\$ 195,569
Stock-based compensation expense	(16,350)	(17,758)	(52,401)	(43,910)
Amortization of acquired intangible assets	(678)	(877)	(2,087)	(2,674)
Employer payroll tax on employee stock transactions	(638)	(638)	(2,885)	(2,188)
Acquisition-related expenses	(136)	(1,679)	(6,324)	(3,870)
Non-GAAP research and development	\$ 54,906	\$ 50,541	\$ 162,263	\$ 142,927
GAAP research and development as a percentage of revenue	29 %	38 %	33 %	38 %
Non-GAAP research and development as a percentage of revenue	22 %	27 %	24 %	28 %
GAAP general and administrative	\$ 51,753	\$ 39,362	\$ 143,324	\$ 123,181
Stock-based compensation expense	(12,253)	(9,701)	(32,637)	(28,281)
Employer payroll tax on employee stock transactions	(501)	(304)	(1,636)	(1,031)
Acquisition-related expenses	(19)	(3)	(19)	(2,122)
Non-GAAP general and administrative	\$ 38,980	\$ 29,354	\$ 109,032	\$ 91,747
GAAP general and administrative as a percentage of revenue	21 %	21 %	21 %	24 %
Non-GAAP general and administrative as a percentage of revenue	16 %	16 %	16 %	18 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Revenue	\$ 247,907	\$ 186,429	\$ 689,969	\$ 518,150
Loss from operations	(50,351)	(71,813)	(178,343)	(215,252)
Stock-based compensation expense	45,974	44,777	135,359	115,881
Amortization of acquired intangible assets	9,290	9,610	27,898	28,927
Employer payroll tax on employee stock transactions	2,038	1,723	7,343	5,074
Acquisition-related expenses	703	2,337	8,345	7,062
Non-GAAP income (loss) from operations	\$ 7,654	\$ (13,366)	\$ 602	\$ (58,308)
Operating margin	(20 %)	(39 %)	(26 %)	(42 %)
Non-GAAP operating margin	3 %	(7 %)	0 %	(11 %)

Liquidity and Capital Resources

As of September 30, 2023, our principal sources of liquidity were cash, cash equivalents, and marketable securities totaling \$626.5 million, which were held in money market funds, U.S. treasury securities, corporate notes and obligations, time deposits, commercial paper, checking accounts, and savings accounts. Our investments in marketable securities are exposed to interest rate risk; however, due to the short-term nature of our investments, we do not anticipate being exposed to material risks due to changes in interest rates.

We had outstanding letters of credit, backed by First Citizens Bank & Trust Company as of September 30, 2023, on an unsecured basis, totaling approximately \$5.4 million to secure various leased office facilities in the U.S. and Australia.

Our cash sources primarily consist of cash generated from sales to our customers, maturities of our marketable securities, proceeds from employees through stock option exercises and our employee stock purchase plan ("ESPP"), and interest income on our marketable securities, money market funds, and savings account balances.

Our cash requirements are primarily for operating expenses, which include personnel-related costs, purchase obligations primarily for hosting and software license and other services, lease obligations, and capital expenditures for our employees and offices. We also fund investments which help drive our strategic business growth through acquisitions and investments in equity securities and limited partnership funds. We also have a materials financing program that has financed our customers' purchases of construction materials on deferred payment terms. We have used capital from our balance sheet for our materials financing program. In October 2023, we ceased originations under the materials financing program. As of September 30, 2023, we had receivables for amounts financed for customers, net of the related allowance for expected credit losses, of \$8.0 million on our condensed consolidated balance sheet.

During the nine months ended September 30, 2023, we executed a renewal agreement for hosting services, which had outstanding minimum commitments of \$34.2 million as of September 30, 2023, to be paid over the remainder of 2023 through 2025. In addition, operating lease commencements and modifications resulted in net increases to operating lease right of use assets and liabilities of \$13.6 million during the nine months ended September 30, 2023. There have been no other 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 1, 2023. We believe our existing cash, cash equivalents, and marketable securities will be sufficient to meet our needs for at least the next 12 months. While we have begun to generate positive cash flows from operations in recent years, we have continued to generate losses from operations, as reflected in our accumulated deficit of \$1.1 billion as of September 30, 2023. We

may not achieve sustainable 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 strategic and financial benefits from our investments and acquisitions, other strategic transactions or investments we may enter into, 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, the timing and extent of customer repayments under our materials financing program, and inflation. 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.

As of September 30, 2023, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by (used in) operating activities	\$ 51,272	\$ (10,084)
Net cash used in investing activities	(58,539)	(338,646)
Net cash provided by financing activities	26,650	29,258

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 \$51.3 million during the nine months ended September 30, 2023 which resulted from a net loss of \$160.2 million, adjusted for non-cash charges of \$194.1 million and a net cash inflow of \$17.4 million from changes in operating expenses and liabilities. The \$17.4 million of net cash inflows provided as a result of changes in our operating assets and liabilities primarily reflected the following:

- a \$29.1 million increase in deferred revenue primarily due to the growth of our business and timing of billings;
- a \$3.1 million decrease in accounts receivable primarily due to timing of billings and cash receipts from customers; and
- a \$2.3 million increase in accounts payable primarily due to timing of cash payments to our vendors.

These changes in our operating assets and liabilities were partially offset by the following:

- an \$8.2 million decrease in operating lease liabilities related to lease payments;
- a \$5.1 million increase in deferred contract cost assets related to commissions as a result of additional customer contracts closed during the period;
- a \$1.9 million increase in prepaid expenses and other current assets primarily due to timing of cash payments to our vendors; and

- a \$2.0 million decrease in accrued expenses and other liabilities primarily due to the size and timing of bonus and commission accruals and payouts, accrued ESPP contributions, payroll, and cash payments to our vendors.

Net cash used in operating activities was \$10.1 million during the nine months ended September 30, 2022, which resulted from a net loss of \$215.7 million, adjusted for non-cash charges of \$172.1 million and net cash inflow of \$33.5 million from changes in operating assets and liabilities. The \$33.5 million of net cash inflows provided as a result of changes in our operating assets and liabilities primarily reflected the following:

- a \$29.8 million increase in deferred revenue primarily due to the growth of our business and timing of billings;
- a \$23.1 million increase in accrued expenses and other liabilities primarily due timing of ESPP contributions, payroll, and cash payments to our vendors;
- a \$6.4 million decrease in accounts receivable primarily due to timing of billings and cash receipts from customers; and
- a \$2.1 million increase in accounts payable primarily due to timing of cash payments to our vendors.

These inflows from changes in our operating assets and liabilities were partially offset by the following:

- a \$12.6 million increase in deferred contract cost assets related to commissions as a result of additional customer contracts closed during the period;
- an \$8.2 million increase in prepaid expenses and other assets primarily due to timing of cash payments to our vendors; and
- a \$7.1 million decrease in operating lease liabilities related to lease payments.

Investing Activities

Net cash used in investing activities of \$58.5 million during the nine months ended September 30, 2023 consisted of cash outflows for purchases of marketable securities of \$309.3 million, capitalized software development costs of \$25.2 million, originations for materials financing of \$23.6 million, purchases of property and equipment of \$8.1 million primarily related to improvements to our leased office spaces and computer equipment purchases, and \$6.0 million for an asset acquisition. Such outflows were partially offset by \$287.6 million in maturities of marketable securities, \$21.1 million of customer repayments for materials financing, and \$5.5 million in sales of marketable securities.

Net cash used in investing activities of \$338.7 million during the nine months ended September 30, 2022 consisted of purchases of marketable securities of \$293.1 million, capitalized software development costs of \$24.8 million, originations for materials financing of \$16.8 million, purchases of property and equipment of \$13.7 million primarily related to improvements to our leased office spaces and computer equipment purchases, and purchases of strategic investments of \$3.7 million, partially offset by \$12.0 million of customer repayments for materials financing, and \$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.

Financing Activities

Net cash provided by financing activities of \$26.7 million during the nine months ended September 30, 2023 consisted of \$15.1 million in proceeds from stock option exercises and \$13.0 million in proceeds from employee purchases under the ESPP, partially offset by \$1.5 million in payments on our finance lease obligations.

Net cash provided by financing activities of \$29.3 million during the nine months ended September 30, 2022 consisted of \$19.3 million in proceeds from stock option exercises and \$11.5 million in proceeds from employee purchases under the ESPP, partially offset by \$1.3 million in payments on our finance lease obligations.

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 is 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 1, 2023. There have been no significant changes to these policies for the nine months ended September 30, 2023.

Item 3. 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 the remainder denominated in Australian dollars, Canadian dollars, Great British pounds, euros, Singapore dollars, and UAE dirham. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the U.S., Australia, Canada, England, Mexico, Egypt, Singapore, France, Ireland, and the UAE. Our results of current and future operations and cash flows are, therefore, subject to the risk of fluctuations in foreign currency exchange rates. This exposure is the result of selling in multiple currencies and payment of personnel-related expenses and other operating expenses in countries where the functional currency is the local currency. Changes in foreign currency exchange rates could have an adverse impact on our financial results and cash flow. These exposures may change over time as business practices evolve and economic conditions change. 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 marketable securities of \$626.5 million as of September 30, 2023. Cash, cash equivalents, and marketable securities consist of money market funds, U.S. treasury securities, corporate notes and obligations, time deposits, commercial paper, checking accounts, and savings accounts. The cash and cash equivalents are held for working capital and general corporate purposes. 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 September 30, 2023, a hypothetical 100 basis points 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 September 30, 2023, the end of the period covered by this report.

Based on the Company'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 Securities and Exchange Commission ("SEC") rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief 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. There have not been any changes in internal control over financial reporting during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's 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. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together reasonably be expected to have a material adverse effect on our business, results of operations, financial condition, or cash flow.

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 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 performance. 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 \$690.0 million and \$518.2 million for the nine months ended September 30, 2023 and 2022, respectively. 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. You should not rely on the revenue growth of any prior period as an indication of our future performance. 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 and results of operations depend on a number of factors, including many that are out of our control. These factors include our ability to do the following: 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 and services, further improve our existing products, services, and platform, and expand our App Marketplace with additional integrations; 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; and retain and motivate existing personnel, and attract, integrate, and retain new personnel, particularly to our sales and marketing and engineering and product development teams.

Our future growth also depends on changes in our customers' budgetary constraints, the timing and success of new products and services introduced by us or our competitors, the pace of development of the construction management software industry, regulatory and macroeconomic conditions, and economic conditions and business practices within the construction industry, including construction spending in the public and private sectors. If we are not able to maintain revenue growth or accurately forecast 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.

We have a history of losses, and we may not achieve or maintain profitability in the future. We incurred net losses of \$160.2 million and \$215.7 million for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, we had an accumulated deficit of \$1.1 billion. 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 correspondingly increase. In particular, we intend to continue to expend substantial financial and other resources on the following: expanding our sales and marketing and customer success teams to drive new subscriptions, increase the use of our products, services, and platform by existing customers, and support our international expansion; developing our technology infrastructure, including systems

architecture, scalability, availability, performance, and security; and investing in our engineering and product development teams and developing new products, services, and platform functionality.

These expenditures 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 in spending across the construction industry.

Our business may be affected by changes in the economy, especially those affecting the construction industry. 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. In times of unfavorable economic conditions, our revenue may decrease because customers may choose to purchase less construction software. Rising inflation may increase our vendor, employee, and facility costs, and further decrease demand for our products. Unfavorable or deteriorating market conditions, reductions in the rate of construction growth, reductions in government spending and funding of infrastructure or other construction projects, reduced demand for public projects, and any resulting effects on spending by our customers or prospective customers could also have an adverse impact on our business.

The construction industry as a whole may be negatively impacted by a wide range of factors, including economic slowdowns, tightening of economic policies, financial and credit market fluctuations, tariffs on imported goods, weakening exchange rates, rising inflation, rising interest rates, supply chain disruptions, labor shortages, commodity prices, and policies that reduce government spending. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry, or how any such event may impact our business. 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 rapidly and may not develop in ways we expect. If we fail to respond adequately to changes in the industry, our business, financial condition, results of operations, and prospects could be materially adversely affected.

The construction management software industry is evolving rapidly. Widespread acceptance and use of construction management technology in general, and of our platform in particular, is critical to our future growth. While we believe that our construction management software addresses a significant market opportunity, a viable market for it may develop more slowly than we expect. If that happens, our business, financial condition, results of operations, and prospects could be materially adversely affected.

Demand for construction management software in general, and for our products in particular, is affected by a number of factors, some of which are beyond our control. Some of these factors include: general awareness of construction management software; availability, functionality, and pricing of products and services that compete with ours; ease of adoption and use; the reliability, performance, or perceived performance of our products and platform, including interruptions to the use of our products and platform; and the development and awareness of our brand. Even though we use internal data to assess the likelihood of success of introducing new products or changes to existing products, we may incorrectly calculate such risks or assume undue risks with respect to such offerings. 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. 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.

Furthermore, our ability to grow our customer base and increase revenue from customers depends on our ability to enhance and improve our platform in response to changes in the construction management software industry and customer demand. In response to such shifts, we may introduce changes to our existing offerings or introduce new offerings, which may require significant expenditures in research and development and customer support, which may harm our results of operations. While we have designed our existing products for easy adoption, our customers depend on our customer success teams to provide implementation, training, and support services, especially when it comes to new products and features. If we do not provide effective ongoing support, our ability to sell additional products to existing and prospective customers could be adversely affected.

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.

We are continuing to expand our operations outside the U.S., where we may be subject to increased business, regulatory, and economic risks (including fluctuations in currency exchange rates) 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, 2022, and 14% of our revenue in 2022 was generated from customers outside the U.S. We expect to continue to expand our international operations, which may include opening offices in new jurisdictions and providing our products, services, and platform 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, services, and platform 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, our international operations and expansion efforts requires 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:

- providing our products, services, and platform in different languages and customizing them to support local requirements;
- compliance by us and our partners with applicable international laws and regulations, including laws and regulations with respect to anti-corruption, competition, import and export controls, tariffs, trade barriers, economic sanctions, employment, construction, privacy, data protection, consumer protection, and unsolicited email, and unauthorized practice of law (“UPL”), 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;
- recruiting and retaining talented and capable employees outside the U.S., including employees who speak multiple languages and come from a wide variety of different cultural backgrounds and customs, and 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 U.S. and navigating the practical enforcement of such intellectual property rights outside of the U.S.;
- political and economic instability (including as a result of the military conflict involving Russia and Ukraine);
- generally longer payment cycles and greater difficulty in collecting accounts receivable; and
- higher costs of doing business internationally, including increased accounting, tax, travel, infrastructure, and legal compliance costs, and costs associated with fluctuations in currency exchange rates.

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 and there can be no assurance that we, our employees, contractors, partners, and agents will be able to maintain compliance. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages,

injunctions, or reputational harm. If we are unable to maintain compliance 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.

Additionally, 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.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to retain and expand our customer base may be impaired, and our business may 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 retaining 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. If we experience difficulties with software development that negatively impact new or existing offerings, we may experience negative publicity or lose market acceptance. Any unfavorable publicity or negative perception of our products, services, 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, services, and platform will significantly depend on our ability to develop and expand our sales and marketing capabilities, the failure of which could materially adversely affect our business, financial condition, results of operations, and prospects.

Continuing and increasing sales of subscriptions to access our products and of our services 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 and services, or the success of existing competitive products and services. Our sales efforts involve educating prospective customers about the uses and benefits of our products, services, and platform. We spend substantial time and resources on our sales efforts without any assurance that our efforts will result in a sale. 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 services, and we may have difficulty convincing prospective customers of the value of adopting our products and services. We plan to continue expanding our sales force, 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, if ever. 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 corresponding increase in revenue. Even if we are successful in convincing prospective customers of the value of our products and services, they may decide not to purchase our products and services for a variety of reasons, some of which are out of our control. 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 and services is highly competitive and rapidly changing. Certain features of our current platform compete with a wide variety of products, including aggregated construction management tools (some of which integrate with our platform), accounting software vendors, point solution vendors in various categories (many of which integrate with our platform and are available in our App Marketplace), and in-house specialized tools or processes built by or for existing or prospective customers.

With the introduction of new products, services, and technologies by competitors and the emergence of new market entrants in the construction management software industry, we expect competition to intensify. Many of our competitors have competitive advantages over us, such as better name recognition, longer operating histories, larger marketing budgets, existing or more established relationships, greater third-party integrations, access to larger customer bases, 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 and services than we do. These combinations may make it more difficult for us to effectively compete. Additionally, as we introduce new products and services in the market, we may face new or different competitors who may similarly have competitive advantages over us. Such competitive pressures may erode our market share and may hinder or slow our expansion into new markets. We expect these competitive dynamics to continue as competitors attempt to strengthen or maintain their market positions.

Many factors 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.

Interruptions or performance issues associated with our products, services, and platform, including the interoperability of our platform across devices, operating systems, and third-party applications, 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. Our future growth depends in part on the ability of our existing and prospective customers to rely on access to our products, services, and platform.

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. Frequent or persistent interruptions, including those from increased usage, 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.

Certain of our customer agreements contain specifications regarding the availability and performance of our platform. If we are unable to meet these service level commitments or if we suffer extended periods of poor performance, we may be contractually obligated to provide affected customers with service credits against existing subscriptions or, in certain cases, refunds. Any such performance issues could negatively impact our renewal rates and harm our ability to attract new customers.

One of the most important features of our platform is its broad interoperability with a range of devices, web browsers, operating systems, and integrations. Accessibility across this range is oftentimes out of our control. Integrations and products are constantly evolving, and we may not be able to modify our platform to assure its compatibility with such developments. In addition, some of our competitors may be able to disrupt the compatibility of our platform with their integrations, which some of our customers may rely upon. If our platform has interoperability failures with these integrations, customers may not adopt our platform, and our App Marketplace may not be useful to customers, which could materially adversely affect our business, financial condition, results of operations, and prospects.

Additionally, our products, services, and platform are inherently complex and may contain material defects or errors, particularly when new products or features are released. We have in the past found defects or errors in our products, services, and platform and we may detect new defects or errors in the future. Any real or perceived failures or vulnerabilities in our products, services, or platform could result in negative publicity or lead to data security, access, retention, or performance issues. 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.

We rely on third-party data centers, such as AWS, to host and operate our platform, and any disruption of or interference with 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, which relies in large part on third-party data centers. 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; 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.

Our materials financing program subjects us to risks, including credit, performance, and liquidity risks, that could materially adversely affect our business, financial condition, results of operations, and prospects.

In connection with our acquisition of Levelset in November 2021, we assumed a materials financing program, pursuant to which we have facilitated the purchase of construction materials from fulfillment partners (our suppliers) on behalf of our customers, allowing such customers to finance their materials purchases from us on deferred payment terms. Holding these receivables on our balance sheet exposes us to credit, performance, and liquidity risk, which may adversely affect our financial performance.

While we earn finance charges on such deferred payment balances, we bear credit risk and have incurred, and may continue to incur, financial losses when customers default on the deferred payment terms under our materials financing agreements. Although our internal data can help us assess a customer's default risk, there can be no guarantee that our processes will accurately forecast repayments. We may not be as accurate in forecasting default rates because we have not developed and enhanced our internal data sets and analytics capabilities to better predict, assess, and manage risk of default. As a result, we carry appropriate reserves on our books for projected losses. Although we have a credit policy in place designed to limit our exposure to any particular customer, we may ultimately be unable to adequately or successfully limit such exposure. Furthermore, since our materials financing program customers are largely consolidated in the construction industry, we may be subject to concentrated risks since our customers' ability to pay us may be impacted by the economic strength of the construction industry. Failure to accurately forecast our customers' payment ability or a material increase in payment defaults may adversely impact our results of operations, cash flows, liquidity, and profitability. In addition, our customers may not fully comply with their obligations under their materials financing agreements, which could negatively impact our mechanic's liens rights and therefore, our ability to collect outstanding balances or finance charges.

We primarily rely on mechanic's lien rights to protect against instances of non-payment. Our ability to enforce our rights as a lienholder and receive payment from materials financing program customers may be limited or hindered by differing laws and regulations that define lienholder rights among the various jurisdictions in which we operate. Compliance with these disparate laws could lead to operating inefficiencies and cause us to incur expenses to enforce our lienholder rights and collect payment, or we may be unable to enforce our lienholder rights altogether or be unsuccessful in those efforts. Repeated inability to effectively assert or enforce our lienholder rights could materially adversely affect our business, financial condition, results of operations, and prospects.

Risks Related to Our Employees and Culture

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 Craig F. Courtemanche, Jr., 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.

Our employees, 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. To continue to enhance our products, services, and platform, develop new products and services, and add new and innovative functionality, it will be critical for us to continue to grow our research and development teams. If we hire employees from competitors or other companies, their former employers may attempt to assert that we or these employees have breached the employee's legal obligations, resulting in a diversion of our time and resources. 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, 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 that our corporate culture fosters innovation, teamwork, passion, and focus on execution and has contributed to our success. As we grow, we may find it difficult to maintain our corporate culture. In addition, many of our employees continue to work remotely since the onset of the COVID-19 pandemic, and there is no guarantee that we will be able to maintain our corporate culture when much of our team is dispersed. 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. 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.

Risks Related to Our Regulatory and Legal Environment

We are subject to stringent, changing, and potentially inconsistent laws, regulations, rules, policies, and obligations related to data privacy and security, both domestically and internationally, 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 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, internal and external privacy and security policies, contracts (including with our customers and other third parties), and other obligations that govern the processing of certain sensitive information by us and on our behalf.

In the U.S., federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data privacy laws, consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act), and other similar laws (e.g., wiretapping laws). For example, the California Consumer Privacy Act of 2018 (the “CCPA”) applies to personal information of consumers, business representatives, and employees who are California residents, and requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights. The CCPA provides for administrative fines of up to \$7,500 per violation and allows private litigants affected by certain data breaches to recover significant statutory damages. In addition, the California Privacy Rights Act of 2020 (“CPRA”) expands the CCPA’s requirements, including by establishing a new regulatory agency to implement and enforce the law. Other states have enacted, or are in the process of enacting, comprehensive data privacy laws as well. Additionally, several states and localities have enacted measures related to the use of artificial intelligence (“AI”) and machine learning in products and services. Moreover, under various privacy laws and other obligations, we may be required to obtain certain consents to process personal data. Our inability or failure to do so could result in adverse consequences. 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 U.S., an increasing number of laws, regulations, and industry standards apply to data privacy and security. For example, the European Union’s (“EU”) General Data Protection Regulation (the “EU’s GDPR”) and the United Kingdom’s (“U.K.”) General Data Protection Regulation (the “U.K.’s 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. Similarly, under the U.K.’s GDPR, government regulators may impose fines of up to 17.5 million pounds sterling or 4% of annual global turnover, 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 (which are authorized by law to represent individuals’ interests) may initiate litigation related to the processing of individuals’ personal data. There are also stringent local data protection requirements in Germany and cloud-server initiatives in France which may impact our expansion into these countries. In Europe, regulators are in the process of debating the text of the Artificial Intelligence Act, a proposed regulation related to AI that, if adopted, will have a direct effect across all EU jurisdictions and could impose onerous obligations related to the use of AI-related systems. The act may also influence the approach taken to AI in other jurisdictions, including the U.S. and the U.K. We may have to change our business practices to comply with such obligations. Furthermore, as our business continues to expand and evolve, the EU’s GDPR, the U.K.’s GDPR, and similar data protection regulations may apply additional obligations on us to further secure personal data, provide further rights to data subjects, and require additional reporting to regulators.

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 and the UAE, which means that we may be subject to Singapore's Personal Data Protection Act and the UAE's Federal Data Protection Law No. 45 of 2021, respectively. In addition, Brazil's General Data Protection Law (Lei Geral de Proteção de Dados Pessoais) (Law No. 13,709/2018) (the "LGPD") may apply to our operations. The LGPD broadly regulates processing personal data of individuals in Brazil and imposes compliance obligations and penalties comparable to those of the EU's GDPR.

In the ordinary course of business, we may transfer personal data from Europe and other jurisdictions to the U.S. or other countries. Europe and other jurisdictions have enacted laws requiring data to be localized or limiting the transfer of personal data to other countries. In particular, the European Economic Area ("EEA") and the U.K. have significantly restricted the transfer of personal data to the U.S. and other countries whose privacy laws it generally believes are inadequate. Other jurisdictions may adopt similarly stringent interpretations of their data localization and cross-border data transfer laws. Although there are currently various mechanisms that may be used to transfer personal data from the EEA and the U.K. to the U.S. in compliance with law, such as the EEA and U.K.'s standard contractual clauses, the U.K.'s International Data Transfer Agreement / Addendum, and the EU-U.S. Data Privacy Framework (which allows for transfers of personal data to relevant U.S.-based organizations that participate in and self-certify compliance with the framework), these mechanisms are subject to legal challenges, and there is no assurance that we can satisfy or rely on these measures to lawfully transfer personal data to the U.S. If there is no lawful manner for us to transfer personal data from the EEA, the U.K., or other jurisdictions to the U.S., or if the requirements for a legally-compliant transfer are too onerous, we could face significant adverse consequences, including the interruption or degradation of our operations, the need to relocate part or all of our business or data processing activities to other jurisdictions at significant expense, increased exposure to regulatory actions, substantial fines and penalties, the inability to transfer data and work with partners, vendors, and other third parties, and injunctions against our processing or transferring of personal data necessary to operate our business. Additionally, companies that transfer personal data out of the EEA and the U.K. to other jurisdictions, particularly to the U.S., are subject to increased scrutiny from regulators, individual litigants, and activist groups. Some European regulators have ordered certain companies to suspend or permanently cease certain transfers out of Europe for allegedly violating the cross-border data transfer limitations of the EU's GDPR. For example, in May 2023, the Irish Data Protection Commission determined that a major social media company's use of standard contractual clauses to transfer personal data from Europe to the U.S. was insufficient and levied a 1.2 billion euro fine against the company and prohibited it from transferring personal data to the U.S.

We are bound by contractual obligations and laws related to data privacy and security, and our efforts to comply with such obligations and laws may not be successful. For example, certain privacy laws, such as the EU's GDPR, the U.K.'s GDPR, and the CCPA as amended by the CPRA, require our customers to impose specific contractual restrictions on their service providers. We also publish privacy policies, marketing materials, and other statements, such as compliance with certain certifications or self-regulatory principles, regarding data privacy and security. If any of these policies, materials, or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators, or other adverse consequences.

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 subject to the Payment Card Industry Data Security Standard (the "PCI DSS"). The 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 the 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 also rely on vendors to process payment card data who may also be subject to the PCI DSS, and our business may be negatively impacted if our vendors are fined or suffer other consequences as a result of noncompliance with the PCI DSS.

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 or the third parties on which we rely 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, and the imprisonment of company officials, the inability to operate in certain jurisdictions, limited ability to develop or commercialize our products and services, 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 business, we process substantial amounts of sensitive information.

Cyberattacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of such sensitive information and information technology systems, and those of the third parties on which we rely. Cloud-based platform providers of products and services have been targeted by such activities and are expected to continue to be targeted. The threats posed by such activities are prevalent and continue to grow, are 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, the third parties upon which we rely, and our customers are subject to a variety of evolving threats, including, but not limited to, social-engineering attacks (including through deep fakes, which may be increasingly difficult to identify as fake, and 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), credential harvesting, personnel misconduct or error, break-ins, 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 and services may also be subject to fraudulent usage and schemes, including from third parties accessing customer accounts or viewing data from our platform.

Severe 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.

Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers, and devices outside our premises or network, including working at home, while in transit, and in public locations.

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. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

We 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. We may also rely on third-party developers, service providers, and technologies to provide other products or services to operate our business. 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. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages or we may be unable to recover such award. In addition, 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, services, and platform) or the third-party information technology systems that support us and our services.

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 and services. 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 or industry-standard or reasonable security measures to protect our information technology systems and sensitive information.

While we have implemented security measures designed to help protect against security incidents, there can be no assurance that these measures will be effective. Although we take certain steps to detect and remediate various vulnerabilities, doing so takes significant time and resources and we may not be able to detect or remediate all vulnerabilities in our software (including third-party software we utilize) or information technology systems (including those that operate our product and those that are used to provide our services). For several reasons, including the introduction of new vulnerabilities, resource constraints, competing business demands, dependence on third parties, and technological challenges, a number of unremediated vulnerabilities may always exist. Unremediated vulnerabilities, alone or in combination, may have been exploited, and could be exploited, to cause a material security incident or seriously harm our business, interrupt our operations and ability to provide services, damage our reputation and ability to obtain and retain customers, and expose sensitive information of ours and our customers, including personal information and intellectual property. In addition, the threats and techniques used to exploit vulnerabilities change frequently and are often sophisticated in nature, and vulnerabilities in our software and information technology systems could be exploited before we are able to detect or remediate them.

Any efforts to remediate vulnerabilities present in our software or information technology systems may not be successful, and we may experience delays in developing and deploying or installing patches and remedial measures. We may also be reliant on third parties to help or fully remediate such vulnerabilities. Remediating vulnerabilities may interrupt our operations, products, and services. As we continue to expand the features and functionality of our products, services, and platform, and to introduce new products and services, we may become even more vulnerable to security incidents and at increased risk of vulnerabilities in the future. Any vulnerabilities, alone or in combination, could pose material and significant risks to our business.

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, services, and platform (including by declining to renew their subscriptions), deter new customers from using our products, services, 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 indemnification, 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 deductible or co-insurance requirements, could materially adversely affect our business, financial condition, results of operations, and prospects.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position. Furthermore, sensitive information of our company or our customers could be disclosed or revealed as a result of, or in connection with, our employees', personnel's, or vendors' use of generative AI technologies.

Our business depends upon the appropriate and successful implementation of our products by our customers. If our customers fail to use our products according to our specifications, our customers may suffer a security incident on their own systems or other adverse consequences. Even if such an incident is unrelated to our security practices, it could result in our incurring significant economic and operational costs in investigating, remediating, and implementing additional measures to further protect our customers from their own vulnerabilities and could result in reputational harm.

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

Our business is subject to a wide range of laws and regulations, many of which are evolving, and our 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 and services could harm our ability to offer, or customer demand for, our products and services, which could impact our revenue, impair our ability to expand our product and service 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 U.S. by the Federal Communications Commission (the “FCC”), which the current president of the U.S. 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. Other states could begin to enforce existing laws or adopt new network neutrality requirements. For example, a temporary injunction preventing implementation of a similar law in Vermont expired on April 20, 2022, although the challenge to that law remains pending and has been suspended until an appeal in another case addressing state powers to adopt internet regulation is resolved.

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: result in reputational harm, criminal sanctions, consent decrees, and orders preventing us from offering certain features, functionalities, products, or services; limit our access to credit; result in a modification or suspension of our business practices; require us to develop non-infringing or otherwise altered products or technologies; prompt ancillary claims, lawsuits, proceedings, investigations, inquiries, or requests; consume financial and other resources which may otherwise be utilized for other purposes, such as advancing other products and services on our platform; cause a breach or cancellation of certain contracts; or 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, results of operations, and prospects.

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 a higher profile, the possibility that we become a party to litigation and disputes related to our intellectual property, business or employment practices, regulatory compliance (including securities law compliance), products, services, or platform grows. Some companies that have experienced volatility in the trading price of their shares have also been the subject of securities class action litigation. Such 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 or services. We may need to settle disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment requiring us to cease some or all of our operations or pay out substantial amounts of money. In addition, our customer agreements generally require us to indemnify our customers against liabilities if our products infringe a third-party’s intellectual property rights, and we have negotiated additional specific indemnities with certain of our customers. 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 to us on reasonable terms or may not be available to us at all. Any of the above could increase our operating expenses, and materially adversely affect our business, financial condition, results of operations, and prospects. Additionally, 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. Any of the above could increase our operating expenses, and materially adversely affect our business, financial condition, results of operations, and prospects.

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, like 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 certain 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. 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 business, limit opportunities to increase our revenues, or prevent us from offering products or services.

In addition, the introduction of new products and services, expansion of our activities in certain jurisdictions, or other actions we may take may subject us to additional laws, rules, and regulations, or other government scrutiny. We may not always be able to accurately predict the scope or applicability of certain laws, rules, or regulations to our business, particularly as we expand into new areas of operations, such as lien rights management, which could negatively affect our business and our ability to pursue future plans. In addition, any perceived or actual breach by us of applicable laws, rules, and regulations could have a significant impact on our reputation as a trusted brand and could cause us to lose customers in existing and emerging lines of business, prevent us from acquiring new customers, require us to expend significant resources to remedy issues caused by such breaches and to avert further breaches, and expose us to legal risk and potential liability.

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 (the “CDA”). There have been various U.S. Congressional and Executive branch efforts to remove or restrict the scope of the protections available to online platforms under Section 230 of the CDA. For example, the CDA was amended in 2018, and the U.S. Congress and the Executive branch have proposed further changes or amendments each year since 2019, including, among other things, proposals that would narrow CDA immunity, expand government enforcement power relating to content moderation concerns, or repeal the CDA altogether. In addition, some states have passed, and others may adopt, laws intended to limit the protection afforded by Section 230 of the CDA. Laws passed by Florida and Texas are the subject of judicial appeals, but those laws have been stayed by federal courts. On September 29, 2023, the U.S. Supreme Court announced that it would review both the Florida and Texas decisions. Any changes to the protection afforded by Section 230 of the CDA could decrease or change our protections from liability for third-party content in the U.S. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages or license costs. We could also face fines or orders restricting or blocking our services in particular geographies as a result of content hosted on our services. If any of these events occur, we may incur significant costs or be required to make significant changes to our products, services, business practices, or operations and our business could be seriously harmed. 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, services, 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 U.S., 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 make available or 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 customers, 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 or services 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 subscriptions to use 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 subscriptions to use 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 (the “FCPA”), the U.K. Bribery Act 2010 (the “Bribery Act”), and other anti-corruption, sanctions, anti-bribery, anti-money laundering, and similar laws in the U.S. 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 U.S. and abroad and 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 facilitate compliance with the FCPA, the 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 procedures 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.

Certain of our services subject us to complex and evolving laws and regulations regarding UPL.

UPL generally refers to a person or entity that is not licensed to practice law but that gives legal advice or advertises its services as the practice of law. As a result of our acquisition of Levelset in November 2021, certain lien rights management services that 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 mechanic's 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, broad, and evolving. As a result, the application and interpretation 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 support 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 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 settling regulatory inquiries, action, 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, financial condition, results of operations, and prospects.

Our materials financing program may subject us to additional and changing legal, regulatory, and compliance requirements, and failure to comply with such requirements could materially adversely affect our business, financial condition, results of operations, and prospects.

Our materials financing program may be subject to regulation in the jurisdictions in which we operate this program. Furthermore, we may become subject to additional and changing legal, regulatory, and compliance requirements and industry standards with respect to materials financing.

As a result of our materials financing program, we may become subject to regulatory scrutiny, which may impose significant compliance costs on us. For example, certain state legislatures have recently adopted regulations for commercial financing that have provisions that, among other things, may extend protections similar to those found in consumer credit protection laws to commercial financing arrangements. Further, state legislatures and financial regulators across the country are actively considering proposals to impose additional regulations on business-purpose credit products, especially products provided to small business customers. As a result, such new or expanded regulations, or changes in interpretation or enforcement of existing regulations, could result in new restrictions affecting our materials financing program, our potential inability to comply with such regulations, and increased compliance costs or other costs of doing business, any of which may materially adversely affect our business, financial condition, results of operations, and prospects.

Our materials financing transactions are structured as credit sales, rather than purchase-money loans. Credit sales are generally subject to regulatory regimes at the state and federal level that are more favorable (to the party offering deferred payment terms) than those applicable to purchase-money loans. However, if a regulator or court concluded that our materials financing transactions should be characterized as loans, and thus subject to laws and regulations governing loans and lending activities, then we may be forced to restructure the transactions in a way that is commercially less desirable in order to support the credit sale characterization, or we may be required to comply with laws and regulations governing loans and lending

activities, which may subject us to additional restrictions and requirements, such as compliance with usury laws and state lending, loan brokering, or debt collection licensing laws and regulations.

If we fail, or are perceived to have failed, to address or comply with new or existing compliance obligations with respect to our materials financing program we could face significant consequences. These consequences may include, but are not limited to, enforcement actions, fines, penalties, litigation, additional reporting requirements and oversight, the inability to operate in certain jurisdictions, loss of revenue or profits, loss of customers, loss of investor confidence, negative publicity, and reputational harm, any of which could materially adversely affect our business, financial condition, results of operations, and prospects.

Risks Related to Our Intellectual Property

Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets and otherwise materially adversely affect our business, financial condition, results of operations, and prospects.

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, to establish and protect our intellectual property rights and proprietary information, all of which provide only limited protection. As of December 31, 2022, we had 34 issued patents in the U.S. and 53 pending patent applications in the U.S. Additionally, we had 16 pending patent applications in foreign countries, as well as nine pending international patent applications that preserve our right to file additional foreign patent applications in the future. Our issued patents in the U.S. will expire between 2034 and 2041. We continually review our development efforts to assess the existence and patentability of new intellectual property.

We have devoted substantial resources to the development of our proprietary technologies and related processes. 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, services, 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. 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.

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. 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. 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. 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, services, 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, financial condition, results of operations, and prospects.

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, services, 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 subscriptions to use our products, services, or 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 our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell subscriptions to use products or services containing that technology would be limited, and our business could be harmed. For example, if we are unable to license technology from third parties, such as technology that helps enable our products, services, or platform, 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, which 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 or services and may increase our costs. As a result, our business, financial condition, and results of operations could be materially adversely affected.

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 across a network software and services that include open source software, to make publicly available or to license 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' violations 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 defeat spamming attacks, illegal robocalls, 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 rely on 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 CDA 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.”

Risks Related to Our Acquisitions

We may be unsuccessful in making, integrating, and maintaining acquisitions, joint ventures, and strategic investments, which could materially adversely affect our business, financial condition, results of operations, and prospects.

We expect to evaluate and complete a wide array of potential strategic transactions, including acquisitions of businesses, joint ventures, new technologies, services, products, and other assets, and other strategic investments. Any of these transactions could be material to our business, financial condition, results of operations, and prospects. 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, we may not be able to realize the anticipated benefits of such transactions in the time frame expected or at all. In particular, if we are unable to successfully operate as a combined business after the completion of such transactions, including in respect of the LaborChart and Levelset acquisitions, to achieve shared growth opportunities or 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. Such transactions may not ultimately strengthen our competitive position or achieve our strategic goals and may disrupt our ongoing business, increase our expenses, and otherwise present risks not contemplated at the time of the transaction. 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, and prospects through the write-off of goodwill and other impairment charges.

To finance such transactions, we may have to pay cash, incur debt, or issue securities, including equity-based securities, 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, and our business, financial condition, results of operations, and prospects.

Risks Related to Tax Matters

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, services, and platform are classified as taxable. We do not currently collect and remit state and local excise, utility user, 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, services, 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, services, 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 operations, 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 2018 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 registered to collect and remit taxes. Additionally, we may need to assess 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 U.S. 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 U.S., 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 flows, and lower overall profitability of our operations.

We are subject to federal, state, and local income, sales, and other taxes in the U.S. 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 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 business, financial condition, results of operations, and prospects. For example, the 2017 Tax Cuts and Jobs Act (the “TCJA”) enacted many significant changes to the U.S. tax laws, some of which were modified in 2020 by the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) and may be further modified in the future by the current or a future administration. Beginning in 2022, the TCJA requires taxpayers to capitalize and amortize certain research and development expenditures over five years if incurred in the U.S. and 15 years if incurred in foreign jurisdictions, rather than deducting them currently. Although there have been legislative proposals to repeal or defer the research and development expenditure capitalization requirement to later years, there can be no assurance that the provision will be repealed or otherwise modified. As another example, the Inflation Reduction Act, which was recently enacted, includes provisions that will impact the U.S. federal income taxation of certain corporations, including imposing a minimum tax on the book income of certain large

corporations and an excise tax on certain corporate stock repurchases that would be imposed on the corporation repurchasing such stock. Regulatory or accounting guidance with respect to existing or future tax laws could materially affect our tax obligations and effective tax rate. Further, it is uncertain if, and to what extent, various states will conform to current federal law or any newly enacted federal tax legislation. In addition, many countries in Europe, as well as a number of other countries and organizations (including the Organization for Economic Cooperation and Development (the “OECD”) and the European Commission), have recently proposed, recommended, or (in the case of certain countries) enacted, or are in the process of enacting, 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. In particular, the OECD is working on a two-pillar solution to address the tax challenges arising from the digitalization of the economy, commonly referred to as BEPS 2.0, which, if implemented, would make important changes to the international tax system by allocating taxing rights in respect of certain profits of multinational enterprises above a fixed profit margin to the jurisdictions within which they carry on business (subject to certain revenue threshold rules which we do not currently meet but may meet in the future), referred to as the Pillar One proposal, and imposing a minimum effective tax rate on certain multinational enterprises, referred to as the Pillar Two proposal. A number of countries within which we carry on our business are currently expected to implement core elements of the Pillar Two proposal by the start of 2024. Based on our current understanding of the minimum revenue thresholds contained in the proposed Pillar Two rules, we anticipate that we could potentially be within their scope and so their implementation could impact the amount of tax we have to pay. Any of the foregoing could materially adversely affect our business, financial condition, results of operations, and prospects.

Our ability to use our NOL carryforwards and certain other tax attributes may be limited.

As of December 31, 2022, we had \$842.6 million of U.S. federal and \$567.2 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, our 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 382 and Section 383 of the Internal Revenue Code (the “IRC”), respectively. Under those sections of the IRC, 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 “5-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 that we generate sufficient taxable income. We may experience additional ownership changes in the future as a result of shifts in our stock ownership after December 31, 2022, 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. 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 Capital Requirements, Credit Concentration, Liquidity, and Our Marketable Securities Portfolio

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. However, many factors, including recent economic volatility and interest rate increases, could adversely impact our ability to access additional capital. If such financing is not available on terms acceptable to us 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, results of operations, and prospects.

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

We maintain a portfolio of marketable securities through a professional investment advisor. The investments in our portfolio are subject to our corporate investment policy, which focuses on preserving principal, maintaining liquidity, avoiding inappropriate concentration and credit risk, and capturing a market rate of return in accordance with the investment guidelines in the corporate investment policy. These investments are subject to general credit, liquidity, market, and interest rate risks. In particular, the value of our portfolio may decline due to changes in interest rates, instability in the global financial markets that reduces the liquidity of securities in our portfolio, and other factors, including unexpected or unprecedented events such as the COVID-19 pandemic. As a result, we may experience a significant decline in value or loss of liquidity of our investments, which could materially adversely affect our business, financial condition, results of operations, and prospects. We attempt to mitigate these risks through diversification of our investments and continuous monitoring of our portfolio's overall risk profile, but the value of our investments may nevertheless decline. To the extent that we increase the amount of our security investments in the future, these risks could be exacerbated.

Adverse developments affecting the financial services industry, such as events or concerns involving the liquidity of, or defaults or non-performance by, financial institutions, could materially adversely affect our business, financial conditions, results of operations, and prospects.

Adverse events involving the liquidity of, defaults or non-performance by, or other adverse developments involving, financial institutions, transactional counterparties, other companies in the financial services industry, or the financial services industry generally, or concerns or rumors about any such events or developments, or other similar risks, have in the past and may in the future lead to market-wide liquidity problems and may lead to liquidity constraints for us. For example, on March 10, 2023, the Federal Deposit Insurance Corporation (the "FDIC") took control of, and was appointed receiver of, Silicon Valley Bank, one of our banking partners. Similarly, on March 12, 2023, Signature Bank Corporation and Silvergate Capital Corporation each entered into receivership. Additionally, on March 15, 2023, Credit Suisse Group AG announced that it would borrow up to 50 billion Swiss francs (equal to approximately \$53.7 billion) from the Swiss National Bank to address its liquidity concerns, and was later acquired by UBS Group AG in June 2023. Further, on May 1, 2023, the FDIC took control of First Republic Bank and sold its deposits and the majority of its assets to JPMorgan Chase & Co. We maintain our cash, cash equivalents, and marketable securities with financial institutions, and our account balances with any such institutions typically exceed the individual account limit of \$250,000 insured by the FDIC. There is a possibility that we may not be able to access a portion of our existing cash, cash equivalents, and marketable securities, or that all or part of our balances may be at risk, due to market conditions affecting

such financial institutions or the financial services industry. In the event of a bank failure or liquidity crisis, there can be no assurance that our deposits in excess of FDIC insurance limits, or other comparable insurance limits, if any, would be backstopped by the U.S. or applicable foreign governments, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks or governmental institutions or be acquired. If other banks and financial institutions enter receivership or become insolvent in the future in response to market conditions affecting the financial services industry, our ability to access our cash, cash equivalents, and marketable securities may be threatened or compromised, which could materially adversely affect our business, financial condition, results of operations, and prospects.

General Risks Related to Our Business and Investing in Our Common Stock

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. Our management and other personnel devote a substantial amount of time to compliance with these requirements. We expect that the requirements of these laws, 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. We cannot predict or estimate the totality of additional costs we incur as a public company or the specific timing of such costs.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are required, pursuant to Section 404 of the Sarbanes-Oxley Act ("Section 404") to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. Our continuing 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, 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 our current and new systems, controls, or standards and any associated process changes do not give rise to the benefits that we expect or do not operate as intended, our financial reporting systems and processes, our ability to produce timely and accurate financial reports, or the effectiveness of our internal control over financial reporting could be adversely affected. Moreover, our business may be harmed if we experience problems with any new systems or controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise. Our ability to manage our operations and growth through, for example, the integration of recently acquired businesses, the adoption of new accounting principles and tax laws, and our back office systems that, for example, support our revenue recognition processes, will require us to further develop our controls and reporting systems and implement or amend new or existing controls and reporting systems in those areas where the implementation and integration is still ongoing. All of these changes to our financial systems and the implementation and integration of acquisitions create an increased risk of deficiencies in our internal controls over financial reporting.

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 that 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 weaknesses or to maintain effective disclosure controls and internal control over financial reporting could adversely affect investor confidence in our company, causing a decline in our stock price, as well as restrict our future access to capital markets. Such failure could also materially adversely affect our business, financial condition, results of operations, and prospects.

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 rapidly 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 RPO. 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.

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.

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.

A significant portion of our customers authorize us to bill their credit card accounts directly for our products, and certain of our customers purchase from us directly and are required to keep their payment methods current for monthly billing purposes. 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 incurred charges, which we refer to as chargebacks, from credit card companies for claims that the customer did not authorize the credit card transaction for our products. We may be required to pay for unauthorized credit charges and expenses with no reimbursement from the customer. If the number of claims of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks, and we could lose the right to accept credit cards for payment. Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud.

In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time. If we fail to comply with such 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.

Our business could be disrupted by catastrophic occurrences and similar events.

Our platform and the infrastructure on which our platform relies are vulnerable to damage or interruption from catastrophic occurrences, such as earthquakes, floods, fires, other natural disasters, power loss, telecommunication failures, military conflict or war, terrorist attacks, criminal acts, sabotage, other intentional acts of vandalism and misconduct, geopolitical events, disease (such as the COVID-19 pandemic), and other similar events, each of which could materially adversely affect our business, financial condition, results of operations, and prospects, or the business of our customers, partners, vendors, or the economy as a whole. For example, our corporate headquarters are located near Santa Barbara, California, a region known for seismic activity and severe fires, and a catastrophic event in this region could materially adversely affect our business, financial condition, results of operations, and prospects. The impact of climate change could result in an increase in the frequency or severity of such events. Climate-related events have the potential to disrupt our business, our third-party suppliers, and the business of our customers, may cause us to experience higher attrition, losses, and additional costs to maintain and resume operations, and may subject us to increased regulations, reporting requirements, standards, or expectations regarding the environmental impacts of our business.

Although we maintain incident management and disaster response plans, in the event of a major disruption, we may be unable to continue our operations and may experience system interruptions and reputational harm. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

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. In light of recent macroeconomic factors such as inflation, interest rate changes, bank failures, and the COVID-19 pandemic, as well as geopolitical factors such as the Russia-Ukraine conflict, and the market for technology companies in particular, the stock market in general has experienced extreme volatility, which has often been unrelated to the operating performance of particular companies. The market price for our common stock may also be influenced by the following factors: 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; changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular; and actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally. 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. Additionally, the foregoing factors, along with 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.

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, in the aggregate, beneficially owned a significant percentage of our outstanding common stock. 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 (our "Board"), acting together, will have the ability to control or significantly influence all matters submitted to our Board or stockholders for approval, including the appointment of our management, the election and removal of directors, and the approval of any significant transactions, as well as our management and business affairs. If these persons choose to act together, they may be able to significantly influence all matters requiring stockholder approval, including the election and

removal of directors and the approval of any merger, consolidation, or sale of all or substantially all of our assets. In addition, if any of our executive officers, directors, and stockholders who own more than 5% of our outstanding common stock purchase shares, or if any of our other current investors purchase shares, such that they own more than 5% of our outstanding common stock 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, impeding 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. Likewise, it may result in the management of our company in ways with which other stockholders disagree.

Certain provisions in our organizational 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 or current management, and 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 or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified Board with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board;
- the denial of any right of our stockholders to remove members of our Board 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 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 to elect a director to fill a vacancy created by the expansion of our Board or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our Board;
- 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, chief executive officer, president, or by our Board acting pursuant to a resolution adopted by a majority of our Board, 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 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 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

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 U.S. 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, our amended and restated certificate of incorporation, or our 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 indispensable parties named as defendants. This provision would not apply to lawsuits brought to enforce a duty or liability created by the Securities Act, the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction.

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 those 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.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

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

Item 5. Other Information.
Insider Trading Arrangements

During the quarterly period ended September 30, 2023, our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated the contracts, instructions, or written plans for the purchase or sale of our securities as set forth in the table below.

Name and Position	Action	Adoption/Termination Date	Type of Trading Arrangement		Total Shares of Common Stock to be Sold***	Expiration Date
			Rule 10b5-1*	Non-Rule 10b5-1**		
Howard Fu, Chief Financial Officer and Treasurer	Adoption	August 9, 2023	x		28,084****	August 9, 2024
Graham V. Smith, Director	Adoption	September 7, 2023	x		11,057	September 7, 2024
Benjamin C. Singer, Chief Legal Officer and Corporate Secretary	Adoption	September 8, 2023	x		80,454****	September 9, 2024
Nanci E. Caldwell, Director	Adoption	September 11, 2023	x		29,597	September 11, 2024
Elisa A. Steele, Director	Adoption	September 14, 2023	x		23,417	September 14, 2024

* Contract, instruction, or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

** "Non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K under the Exchange Act.

***Represents the maximum number of shares that may be sold pursuant to the 10b5-1 arrangement. The number of shares actually sold may be lower and will depend on the satisfaction of certain conditions as set forth in the written plan.

**** The actual number of shares that will be sold under this Rule 10b5-1 trading arrangement will be based in part on the number of shares sold to satisfy tax withholding obligations arising from the vesting of certain shares subject to the trading arrangement, which number is not yet determinable.

Item 6. Exhibits
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 Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Procore Technologies, Inc.

Date: November 2, 2023

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

Date: November 2, 2023

By: /s/ Howard Fu
Howard Fu
Chief Financial Officer and Treasurer
(Principal Financial Officer)

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

I, Craig F. Courtemanche, Jr., certify that:

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

Date: November 2, 2023

By: /s/ Craig F. Courtemanche, Jr.

Craig F. Courtemanche, Jr.
President and Chief Executive Officer

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

I, Howard Fu, certify that:

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

Date: November 2, 2023

By: /s/ Howard Fu

Howard Fu
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 September 30, 2023, to which this Certification is attached as Exhibit 32.1 (the "Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

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 Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023, to which this Certification is attached as Exhibit 32.2 (the "Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Howard Fu
Howard Fu
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 Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.