

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

FORM 10-K

(Mark One)

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

or

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

For the Fiscal Year Ended January 31, 2021

Commission file number: 001-39495

ASANA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

7372
(Primary standard industrial code number)

26-3912448
(I.R.S. employer identification no.)

1550 Bryant Street, Suite 200
San Francisco, CA 94103
(Address of principal executive offices and Zip Code)

(415) 525-3888
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.00001 par value per share	ASAN	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by checkmark if the registrant has not elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's shares of Class A common stock held by non-affiliates of the registrant as of January 31, 2021 was approximately \$2.0 billion, based on the closing price reported for such date on the New York Stock Exchange. The registrant has elected to use January 31, 2021 as the election date because on July 31, 2020 (the last business day of the registrant's most recently completed second fiscal quarter), the registrant was a privately held company. Shares of common stock held by each executive officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status does not reflect a determination that such persons are affiliates of the registrant for any other purpose.

As of March 22, 2021, the number of shares of the registrant's Class A common stock outstanding was 91,266,753 and the number of shares of the registrant's Class B common stock outstanding was 71,785,101.

Documents incorporated by reference:

Portions of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended January 31, 2021.

TABLE OF CONTENTS

	<u>Page</u>
<u>Part I</u>	<u>6</u>
<u>Item 1. Business</u>	<u>6</u>
<u>Item 1A. Risk Factors</u>	<u>19</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>48</u>
<u>Item 2. Properties</u>	<u>48</u>
<u>Item 3. Legal Proceedings</u>	<u>50</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>50</u>
<u>Part II</u>	<u>51</u>
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>51</u>
<u>Item 6. Selected Financial Data</u>	<u>53</u>
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>54</u>
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>72</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>74</u>
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures</u>	<u>109</u>
<u>Item 9A. Controls and Procedures</u>	<u>109</u>
<u>Item 9B. Other Information</u>	<u>110</u>
<u>Part III</u>	<u>111</u>
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>111</u>
<u>Item 11. Executive Compensation</u>	<u>112</u>
<u>Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters</u>	<u>112</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>113</u>
<u>Item 14. Principal Accounting Fees and Services</u>	<u>113</u>
<u>Part IV</u>	<u>114</u>
<u>Item 15. Exhibits, Financial Statement Schedules</u>	<u>114</u>
<u>Item 16. Form 10K Summary</u>	<u>115</u>
<u>Signatures</u>	<u>116</u>

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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”), which statements involve substantial risk and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations or financial condition; business strategy and plans; and objectives of management for future operations are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” or “would” or the negative of these words or other similar terms or expressions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about: our ability to grow or maintain our dollar-based net retention rate, expand usage of our platform within organizations, and sell subscriptions to our platform; our ability to convert individuals, teams, and organizations on our free and trial versions into paying customers; the timing and success of new features, integrations, capabilities, and enhancements by us, or by our competitors to their products, or any other changes in the competitive landscape of our market; our ability to achieve widespread acceptance and use of our platform; growth in the work management market; the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and to remain competitive; our focus on growth to drive long-term value; the timing of expenses and our expectations regarding our cost of revenues, gross margin, and operating expenses; the effect of uncertainties related to the global COVID-19 pandemic on our business, results of operations, and financial condition; expansion of our sales and marketing activities; our protections against security breaches, technical difficulties, or interruptions to our platform; our ability to successfully defend litigation brought against us, potential dispute-related settlement payments, or other litigation-related costs; our expectations about additional hiring; potential pricing pressure as a result of competition or otherwise; anticipated fluctuations in foreign currency exchange rates; potential costs and the anticipated timing of expenses related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs; and general economic conditions in either domestic or international markets, including the societal and economic impact of the COVID-19 pandemic, including on the rate of global IT spending, and geopolitical uncertainty and instability.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K 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 Annual Report on Form 10-K 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.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the Securities and Exchange Commission (the “SEC”) as exhibits to this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

Additional Information

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to “we,” “us,” “our,” “our company,” and “Asana” refer to Asana, Inc. and its consolidated subsidiaries. The Asana design logo, “Asana,” and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Asana, Inc. Other trade names, trademarks, and service marks used in this Annual Report on Form 10-K are the property of their respective owners.

SUMMARY OF RISKS AFFECTING OUR BUSINESS

Investing in our common stock involves numerous risks, including the risks described in “Part I—Item 1A. Risk Factors” of this Annual Report on Form 10-K. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects.

- We have experienced rapid growth in recent periods, and our recent growth rates may not be indicative of our future growth.
- We have a limited operating history at our current scale, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- We have a history of losses and may not be able to achieve profitability or, if achieved, sustain profitability.
- We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability in the near and medium term.
- Our quarterly results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts.
- The COVID-19 pandemic has affected how we, our partners, and our customers operate and has adversely affected the global economy, and the duration and extent to which this will affect our business, future results of operations, and financial condition remains uncertain.
- If we are unable to attract new customers, convert individuals, teams, and organizations using our free and trial versions into paying customers, and expand usage within organizations or develop new features, integrations, capabilities, and enhancements that achieve market acceptance, our revenue growth would be harmed.
- If the market for work management solutions develops more slowly than we expect or declines, our business would be adversely affected, and the estimates of market opportunity and forecasts of market growth may prove to be inaccurate.
- We operate in a highly competitive industry, and competition presents an ongoing threat to the success of our business.
- Failure to effectively develop and expand our direct sales capabilities would harm our ability to expand usage of our platform within our customer base and achieve broader market acceptance of our platform.
- The loss of one or more of our key personnel, in particular our co-founder, President, Chief Executive Officer, and Chair, Dustin Moskovitz, would harm our business.
- We must continue to attract and retain highly qualified personnel in very competitive markets to continue to execute on our business strategy and growth plans.
- Our failure to protect our sites, networks, and systems against security breaches, or otherwise to protect our confidential information or the confidential information of our users, customers, or other third parties, would damage our reputation and brand, and substantially harm our business and results of operations.

- If we fail to manage our technical operations infrastructure, or experience service outages, interruptions, or delays in the deployment of our platform, our results of operations may be harmed.
- If we are unable to ensure that our platform interoperates with a variety of software applications that are developed by others, including our integration partners, we may become less competitive and our results of operations may be harmed.
- Our culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the high employee engagement fostered by our culture, which could harm our business.
- Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of customers may be impaired, and our business and results of operations will be harmed.
- We rely on third parties maintaining open marketplaces to distribute our mobile application. If such third parties interfere with the distribution of our platform, our business would be adversely affected.
- We receive, process, store, and use business and personal information, which subjects us to governmental regulation and other legal obligations related to data protection and security, and our actual or perceived failure to comply with such obligations could harm our business and expose us to liability.
- Sales to customers outside the United States and our international operations expose us to risks inherent in international sales and operations.
- The trading price of our Class A common stock may be volatile and may decline regardless of our operating performance.
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the listing of our Class A common stock on the New York Stock Exchange (“NYSE”), including our founders, directors, executive officers, and their respective affiliates, limiting or precluding your ability to influence corporate matters.
- Sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, could cause the market price of our Class A common stock to decline.

If we are unable to adequately address these and other risks we face, our business, results of operations, and financial condition may be harmed.

PART I

Item 1. Business

Overview

Our mission is to help humanity thrive by enabling the world’s teams to work together effortlessly.

Asana is a work management platform that helps teams orchestrate work, from daily tasks to cross-functional strategic initiatives. Over 93,000 paying customers use Asana to manage everything from product launches to marketing campaigns to organization-wide goal setting. Our platform adds structure to unstructured work, creating clarity, transparency, and accountability to everyone within an organization—individuals, team leads, and executives—so they understand exactly who is doing what, by when.

History

We started Asana because our co-founders experienced firsthand the growing problem of work about work. While at Facebook, they saw the coordination challenges the company faced as it scaled. Instead of spending time on work that generated results, they were spending time in status meetings and long email threads trying to figure out who was responsible for what. They recognized the pain of work about work was universal to teams that need to coordinate their work effectively to achieve their objectives. Yet there were no products in the market that adequately addressed this pain. As a result of that frustration, they were inspired to create Asana to solve this problem for the world’s teams.

Since our inception, over 30 million users have registered on Asana and millions of teams in virtually every country around the world have used Asana. With Asana, users experience higher productivity, which has led to rapid adoption across teams, departments, and organizations. As of January 31, 2021, we had over 1.5 million paid users.

Teams Spend Too Much Time on Work About Work

Work continues to get harder to manage as organizations try to move faster to accomplish ambitious goals and respond to changing market demands. Today, 60% of knowledge workers’ time is spent on work about work. Moreover, coordinating work within and across teams is chaotic. Without a system of record, teams move slowly, miss deadlines, and fail to live up to their full potential. At work, people face an overwhelming volume of communications from email and messaging applications, many of which are asking for status updates. These messages often provide limited clarity around what steps need to be taken, and by when, and limited accountability around who owns the action. As a result, requests go unanswered, and employees spend more time searching and responding to messages in an attempt to provide clarity and accountability to their teams. These emails and messages only give teams momentary clarity about specific deliverables or actions, and as such they do not provide a holistic, persistent, and referenceable plan of record that can be easily or quickly accessed.

To minimize work about work, reduce chaos, and give individuals time back to focus on the work that matters, teams need a purpose-built solution for coordination. Despite the growth in collaboration technology such as content tools and messaging apps, there has been little innovation in work management—systems that help teams to plan, manage, and execute their work.

How Asana Helps Teams

Asana is a system of record for work. This system collects and structures institutional knowledge about how past work was completed and provides a real-time plan and roadmap for current and future initiatives. Our platform is built on our proprietary, multi-dimensional data model, which we call the Asana Work Graph data model. The Asana Work Graph captures and associates:

- units of work—tasks, projects, milestones, portfolios, and goals;
- the people responsible for executing those units of work;

- the processes in which work gets done—rules and templates;
- information about that work—files, comments, status, and metadata; and
- relationships across and within this data.

Our data model provides individuals, team leads, and executives with dynamic views into the work that is most relevant to them—across multiple people and projects—all based on the same underlying data in the Asana Work Graph. Individuals can manage and prioritize their daily tasks and collaborate with team members on shared projects, gaining visibility into who is doing what, and when each piece of work is due. Team leads can plan work and optimize team workload across multiple projects, and executives can track progress towards company objectives in real time.

Asana is flexible and applicable to virtually any use case across departments and organizations of all sizes. We designed our platform to be easy to use and intuitive to all users, regardless of role or technical proficiency. Users can start a project within minutes and onboard team members seamlessly without external support. We allow users to work the way they want with the interface that is right for them, using tasks, lists, calendars, boards, timelines, reporting dashboards, and Workload.

Our Business Model

Our hybrid self-service and direct sales model allows us to efficiently reach teams everywhere and then rapidly expand the use of our platform within their organizations. A majority of our paying customers initially adopt our platform through self-service and free trials. Once adopted, customers can expand through self-service or with the assistance of our direct sales team, which is focused on promoting new use cases of Asana. As customers realize the productivity benefits we provide, our platform often becomes critical to managing their work and achieving their objectives, which drives further adoption and expansion opportunities. This is evidenced by our dollar-based net retention rate, which generally increases with greater organizational spend. As of January 31, 2021, our dollar-based net retention rate within organizations spending \$5,000 or more with us on an annualized basis was 125%, consisting of 10,174 customers. Our dollar-based net retention rate within organizations spending \$50,000 or more with us on an annualized basis was over 140%, consisting of 397 customers.

Our Company Culture

We believe that our company culture enables us to achieve our mission and is a core driver of our business success. We endeavor to make product, business, and people decisions that allow us to carry out our mission while staying true to our values. We are a mission-driven organization first and have designed our values, along with our programs and processes, to help us maximize the potential of every individual in our company. Our values and processes also give us credibility when we share best practices for teamwork in the market and allow us to build those practices into our solution.

Industry Background

Teams must be coordinated and move quickly to be successful

Teams today must navigate work that is increasingly cross-functional, matrixed, and distributed, while also moving quickly to meet the objectives of their organizations. With product lifecycles now shorter than ever, organizations cannot afford to be slowed down by inefficient processes. Individuals and teams need to be empowered to make autonomous decisions aligned with organizational goals to ensure business agility in rapidly changing markets.

Communication overload hurts productivity

Businesses have adopted a number of applications to improve communication such as Skype, WeChat, WhatsApp, Microsoft Teams, and Slack, among others. While these applications help teams communicate, they were not designed to provide a system of record to track and coordinate units of work or set up processes for rapid execution. The average knowledge worker receives 121 emails per day—70% of which are opened within six

seconds. People have become prisoners to email and messaging applications, using their inboxes as makeshift to-do lists.

Teams spend more time coordinating work than actually doing work

Productivity gains can occur when individuals and teams have the opportunity to focus uninterrupted. However, employees spend less than half of their time during the day on the work that is critical to generating results. According to a survey conducted by McKinsey Global Institute of a broad set of knowledge workers:

- 28% of time is spent answering email;
- 19% of time is spent gathering information; and
- 14% of time is spent on internal communication.

Teams need more effective tools to orchestrate work

The primary methods for managing work today—across any department, any sized team, and any project—consist of a combination of spreadsheets and email, in addition to handwritten notes, calls, and meetings. Over time, communication tools (like email and messaging) and content applications (such as file sharing and storage services) have been repurposed for coordinating work because they are familiar and accessible. However, these tools lack the purpose-built functionality required for teams to collaboratively plan, manage, and execute work.

Clarity drives employee engagement that improves business results

Employee engagement—the extent to which employees are invested in their job and contribute the effort needed to do their job well—is critical to high-performing businesses. Individuals are more engaged at work when they have clarity. Clarity helps individuals better understand how their work connects to the organization’s objectives so they know where to focus their energy for maximum impact and find their work more rewarding and engaging.

Organizations need new, purpose-built solutions for work management

Organizations need a work management solution that provides transparency, clarity, and accountability so that individuals and teams know—at any given time—what work needs to get done, by whom and by when. This solution needs to allow organizations to set goals and manage all the underlying portfolios, projects, and tasks needed to achieve them. The solution also needs to scale across every level of the organization so individuals, team leads, and executives can understand and take actions to move work forward in real time.

Our Solution

We provide a work management platform that enables individuals and teams to get work done faster while improving employee engagement by allowing everyone to see how their work—whether it is a task, process, project, objectives and key results (OKR), or portfolio of projects—connects to the broader mission of an organization.

With Asana:

- ***Individuals*** can manage and prioritize across each of their projects to maximize their effectiveness and reduce distractions. They can see their own tasks, how their dependencies owned by teammates are tracking, and how their work contributes to the overall team and organization-wide goals. Individuals can collaborate with teammates and have visibility into each team member’s responsibilities and progress. When teammates operate off a single, real-time plan of record, they do not need to check in with each other for updates or sit through status meetings. This clarity reduces work about work and helps individuals get work done faster.
- ***Team leads*** can manage work across a portfolio of projects or processes. Team leads see progress, bottlenecks, resource constraints, and milestones without having to create work for teams to come up with this information in spreadsheets, email, or via a status meeting. When surprises or disruptions occur, it is easy for team leads to adjust the plan, reallocate resources, and communicate updates in real time.

- **Executives** can communicate company-wide goals, monitor status, and oversee work across projects to gain real-time insights into which initiatives are on track or at risk. With this visibility, they can proactively ensure alignment, address inefficiencies, manage team workload, and reallocate work among teams or departments so that the company can stay on track to achieve its objectives.

As the system of record of past, current, and future work, Asana is powered by a proprietary, multi-dimensional data model called the Asana Work Graph. The Asana Work Graph captures and associates units of work (tasks, projects, milestones, goals, and portfolios), the people responsible for executing those units of work, the processes in which work gets done (rules and templates), information about that work (files, comments, status, and metadata), and the relationships across and within this data. The Asana Work Graph provides individuals, team leads, and executives with dynamic, up-to-date views into the work that is most relevant to them, across multiple people and projects.

The core tenet of our platform is to bring clarity, transparency, and accountability to the process of getting work done.

Clarity. Our platform adds structure to unstructured work so everyone on a team has clarity into exactly what needs to be done, by whom and by when. Our multi-dimensional data model provides different views so individuals can not only see the tasks they are working on, but also understand how their individual work contributes to a broader project goal.

Transparency. Our platform provides transparency into the work being done across a project or portfolio of projects so everyone can see progress to completion, manage deadlines, identify and resolve bottlenecks, and rebalance workloads in real time.

Accountability. Our platform enables teams to assign work to individuals with completion dates and requirements, eliminating ambiguity over responsibilities. Individuals can track their action items across projects and manage their time more effectively.

Benefits of Our Solution

Our platform provides the following benefits for our customers:

Teams get work done faster

Teams get work done faster using Asana. When structure is added to work, creating greater clarity, transparency, and accountability, teams are able to take action and be more efficient—regardless of whether their team members are in the office or working remotely.

Streamlined processes

Our horizontal application allows individuals to easily customize projects across a breadth of specific use cases. Once a process is defined, it can be templated and scaled across an organization for consistent, repeatable process management. In October 2019, we launched Rules as part of our suite of automation features, which facilitates auto-assignment, triggers actions and notifications, and automatically populates due dates for templated projects. Since launching Rules, we have automated over 52 million steps for our users.

Increased employee engagement

Our users love Asana because they gain clarity into what they need to do and how their contribution is connected to broader organizational goals. This clarity is particularly important for distributed teams and remote employees. By eliminating much of the work about work, we give them back valuable hours in their day to focus on the work that matters, leading to higher productivity, higher engagement, and improved retention.

Improved confidence and execution

Using Asana, individuals reduce their anxiety about missing deadlines and having work fall through the cracks. As a system of record for work, Asana stores all task and project information on past and present initiatives so people have greater confidence in meeting deliverables. Individuals, team leads, and executives gain real-time visibility into all the work that is happening in their organization, enabling them to feel organized and in control.

Improved business continuity for distributed teams and remote work

Asana gives teams the clarity they need to stay organized and productive wherever they are. Distributed and remote teams can use Asana as a single, real-time plan of record, reducing the need for messaging threads and video calls to coordinate work. Asana is a secure, cloud-based service that is accessible via internet browsers and a mobile application so that team members can manage their work from home, office, cafe, or other workspace.

Our Culture

Our company culture is a core driver of our business success and enables us to work towards achieving our mission. A core tenet of our culture is a shared commitment to mindfulness, which informs our product, business, and people decisions and shapes how we interact with each other daily. By investing in diversity and inclusion programs, we help ensure that everyone can thrive and feel a sense of belonging, enabling us to better understand the needs of our diverse customer base and innovate in new and creative ways. We also use Asana ourselves, providing our employees with clarity into how their work contributes to our mission and enabling them to do their most impactful work.

our values



On Glassdoor, we have a 4.9 out of 5.0 score, a 100% CEO approval rating, and a 99% "Recommend to a Friend" rating. In 2020, Great Place to Work and FORTUNE named us as a #1 workplace three times: #1 Best Workplaces in Technology (Small and Medium), #1 Best Workplaces for Millennials (Small and Medium), and the fourth consecutive year as #1 Best Workplace in the Bay Area (Small and Medium); as well as #2 Best Small & Medium Workplaces and #8 Best Workplaces for Women. We were also named a Great Place to Work Best

Workplace for Parents, #7 Ireland's Best Workplaces (Small), #14 on Glassdoor's Best Places to Work 2021, and an Inc. Best Workplaces for the third consecutive year.

Features of our Platform

Asana is a single unified platform that provides clarity at every level of an organization for individuals, team leads, and executives. Powered by a proprietary, multi-dimensional data model called the Asana Work Graph, which captures and associates units of work, Asana provides dynamic views—List, Calendar, Board, Timeline, Portfolio, Reports—so that individuals can see work data in whatever way makes most sense to them. Any changes made to underlying data through one view is automatically updated in real time to all other views.



Asana Work Graph Hierarchy

The Asana Work Graph represents units of work—tasks, projects, portfolios, and goals—to enable a complete, connected, and up-to-date map of work in an organization. Unlike other work management solutions, Asana powers clarity at every level of an organization, regardless of size, structure, and complexity. The Asana Work Graph provides:

- Individuals with dynamic views into the work that is most relevant to them, accelerating adoption and maximizing personal productivity.
- Teams with the ability to view and modify the same work data across different views so they can coordinate complex, cross-team work with ease.
- Executives with visibility into how daily work connects to higher-level goals and initiatives so they can understand real-time progress.

Tasks

Tasks are the atomic unit of work within the Asana Work Graph. Within tasks, users can assign owners, set due dates and times, attach documents, and define custom fields for information about the task so that everyone knows who is doing what by when and has the information needed to complete the work. Custom fields are metadata that help users plan, sort, and organize work. Collaboration including comments, sharing, @-mentions, and image markup are natively built into tasks, ensuring that relevant updates and context stay with the work at hand. Changes in task information made in one view are automatically updated across all views where the task is visible so that users don't have to re-enter information.

Projects

A project consists of a set of tasks, which can be organized into sections and arranged into dependencies that give teams clarity on plan and process. Projects can be used to accomplish a specific goal, such as delivering a presentation or campaign, or can be used to intake and process requests, such as a help desk or creative production. If the project is a workflow the team normally follows, it can be converted into a template, making it easy to set up a repeatable workflow so that teams do not have to start from scratch or miss any steps.

Portfolios

Portfolio lets users organize projects into one centralized location, acting as the mission control so that team leads and executives have real-time visibility into how work is progressing across projects. Users can add or remove projects, check the status and progress of each project, view priorities, and assign relevant project owners. Individuals can click on any project to see a full summary overview of the project with the ability to edit due dates, view key milestones, link to the tasks and resources available, check or add status updates, and add comments for the team. They can also see all projects within the Portfolio on a Timeline to get a bird's-eye view of when initiatives are kicking off and when they will be completed. Like many of the views in Asana, the layout of Portfolio can be customized based on individual preference. Portfolios can be made public or private, or can be shared only with specific individuals.

Goals

Goals gives users a centralized place to set goals and track the work needed to achieve them. Goals is a flexible system that supports OKR and other goal management methodologies. Users can set and view goals at the organization or team level and can create goal hierarchies to drive alignment across teams. Goals are connected to the underlying work (Portfolios, Projects, and Tasks) needed to achieve them, giving executives and team leads a single system to set goals and track progress. Goals can be made visible to the entire organization so all team members have clarity on the company's priorities and see how their work contributes to the organization's success.

Dynamic Views

My Tasks

My Tasks provides a single, clear view of every deliverable and due date assigned to individuals so that they start their day knowing exactly what they need to do, by when. Items can be organized and dragged and dropped into different categories so that individuals can prioritize their part of a project or any process-related tasks.

All individuals have their own My Tasks. Team members can view other team members' tasks to see what they are working on. Individuals also have the option to create private tasks, which are only visible to themselves and the people they have explicitly added as collaborators.

Inbox

Inbox is the notification center for Asana. It displays updates on all projects that individuals are a member of and tasks that they follow or are assigned so that they can stay on top of the work that matters. Task and project updates—such as when a task is marked complete, a comment is added, or the status of a project is updated—

triggers a notification that appears in the Inbox of anyone who follows the task or belongs to the project. Individuals can filter their Inbox based on assigned tasks and @-mentions so they can focus on their top priorities.

List View

The List view of a project lets individuals sort, organize into sections, and filter a list of tasks. Tasks can be dragged and dropped, and filtered and sorted according to what matters most so project teams can see all the work needed to complete a project and easily drill down into details. Keyboard shortcuts can be used to move tasks up or down the list, and a project toolbar allows users to adjust their project view.

Calendar View

Calendar view displays tasks within the project on a calendar based on due date and, optionally, start and end dates, so that individuals can see how many tasks are due within a time period and stay on top of their deadlines. Individuals can contribute tasks to a team calendar, plan their work on a schedule, and then easily drag and drop tasks to make adjustments. Individuals can see their personal task list, all the tasks within a specific project, as well as all tasks across projects relevant to a team on a calendar.

Board View

Boards provide individuals with a kanban-style display. Individuals use boards to plan and organize their work as if they were organizing sticky notes in columns on a wall so that they can quickly visualize the current stage of each task within a workflow. Tasks in the project are represented as cards within the columns and individuals commonly use the columns to represent stages in a workflow. As a task makes its way through the workflow, it moves from the left to the right. The tasks display due dates, assignee, custom fields, and previews of the latest attached files.

Boards can be customized to what matters most to the user, with the ability to add custom fields, filter, and sort by task, assignee, or due date. Additionally, tasks appearing in one board can be added to other projects so that work stays connected and up to date across initiatives without team members having to re-enter information.

Timeline View

Timeline allows teams to create and visualize project plans over time so that individuals can identify bottlenecks and task dependencies and make real-time adjustments as needed. Our Timeline view is more powerful than a static Gantt chart because it is connected to the underlying work and updates dynamically as work progresses. When a deadline shifts, all subsequent deadlines can shift accordingly. Timeline helps ensure work stays on track and all team members have clear visibility over the steps involved and progress towards the end goal.

Timeline is particularly relevant for time-bounded initiatives which have timing and sequencing dependencies. Timeline gives executives and project stakeholders an at-a-glance view of project plans and progress.

Workload

Workload visualizes the work, capacity, and trendline of each team member so that team leads have accurate and up-to-date information into the workload of their team members. The trendline is generated by number of tasks or numerical custom field values such as estimated hours or effort. Team leads can set capacity and be notified when team members are overloaded. Individuals can reallocate work from one team member to another with a drag-and-drop interface.

Dashboards

Dashboards help customers visualize and communicate their team's work in more meaningful ways. Dashboards provides customizable charts that auto-populate with real-time work insights like how many tasks have been completed and who on the team is overloaded – all with no coding or search queries required.

Automated Workflows

Processes

A process, or workflow, is the sequence of stages a piece of work passes through from initiation to completion. Asana provides pre-made templates for common processes around ongoing work within marketing, design, operations, sales, HR, product, engineering, and IT functions so that individuals and teams have a starting point for planning, managing, and executing their work.

Teams have the ability to create and save custom templates so that they can standardize and provide clarity on all the necessary steps of their unique workflows. Additionally, teams can implement rules to automate repetitive, manual tasks in a workflow, such as auto-assigning a task based on custom field status or moving a task from one column to another in Board view.

Rules

Rules help automate tedious and repetitive tasks so that teams can reduce manual work and spend more time on the work that matters. Individuals can select from suggested pre-built rules from the rules gallery or they can create a custom rule. A rule consists of one or more triggers and actions, enabling an individual to create logic and multiple actions around business scenarios. Actions in third-party applications that are integrated with Asana, such as Outlook, Gmail, and Slack, can also trigger rules, making it easy to automate manual work across applications.

Reporting

Asana provides reporting capabilities that automate and simplify the process of creating status reports and give individuals and teams a searchable history of their work data. Advanced Search allows individuals to specify search parameters to find data and conversations quickly and easily. The Asana Work Graph enables users to find work based on various attributes, including who is involved, what projects a task may belong to, and even the status of dependencies. Search criteria can be saved as reports, and results can be viewed in a list or calendar.

Integrations

The Asana platform integrates with over 100 third-party applications including:

- Microsoft apps such as Teams, Outlook, OneDrive, SharePoint, Power Automate, and Power BI;
- G-suite apps such as Gmail, Calendar, Chrome, Sheets, and Drive;
- Functional tools such as Salesforce and Adobe Creative Cloud;
- Communication apps such as Slack and Zoom;
- File sharing apps such as Box and Dropbox;
- Development apps such as GitHub and Jira; and
- Reporting apps such as Tableau.

Integrations connect applications to Asana, which provides a central hub for managing work. Teams save time by eliminating the need to switch between various sites and tools. By providing this centralized hub, Asana ensures that work in other tools is tracked and completed.

Integrations with third-party applications are achieved through Asana Connect without sharing any usernames or passwords. Asana Connect enables seamless integration with third-party applications and gives users the ability to

manage all of their work streams through a single platform. Asana Connect uses OAuth 2.0, an industry standard for authentication.

Our Technology

The architecture we have built to power Asana is secure and scalable, offering users a customized experience that is easy to navigate while handling complex data management behind the scenes. We designed our systems to allow flexible access to the Asana Work Graph, allowing us to build rich new functionality quickly and innovate in the work management space.

Extensible, Efficient Technology Platform

Our cloud-native platform includes proprietary software services built on top of infrastructure provided by our preferred cloud provider Amazon Web Services. We shard customer data in our distributed datastore to scale horizontally and provide high performance, and redundancy across multiple third-party data centers in several locations in the United States and Europe to protect against data loss and provide high availability. The distributed datastore allows flexible indexing across single or multiple attributes of the objects stored in it, thus efficiently supporting a wide variety of queries. Our platform services keep track of connected devices and data requests, automatically sending updates to devices as data is updated. This allows our client software to surface real-time information with minimal data transfer and round-trips to the servers, and provides a fast, responsive experience to our customers.

We provide our software as a service to customers, so the technology we build includes deployment tools to ensure we can publish software updates rapidly and safely, as well as monitoring and automation tools.

Commitment to Security and Privacy

Upholding the trust that we have established with our customers and gaining the trust of new customers remains a priority for us and as a result, we have implemented robust safeguards to protect the security of customer data. Our security program includes conducting risk assessments of all systems and networks that process customer data; monitoring for security events; maintaining incident response, disaster recovery, and business continuity plans that explicitly address and provide guidance to our personnel in furtherance of the security, confidentiality, integrity, and availability of customer data; and having a qualified third party perform security assessments on a periodic basis to test against widely recognized security standards and practices.

Our security program is aligned to the American Institute of Certified Public Accountants (“AICPA”) Trust Services Criteria for Security, Availability, and Confidentiality as well as the ISO 27001:2013 standards. We issue a SOC 2 Type II report on an annual basis and are certified against ISO 27001:2013. This means that independent third parties have both validated our processes and practices with respect to these standards, and confirmed our ability to maintain compliance with controls we have implemented.

We have built our platform with security features that are designed to be scalable as we develop and introduce new functionality, including but not limited to supporting encryption of user data in transit and at rest within our platform, and implementing strong access controls and multi-factor authentication to prevent unauthorized access to customer data. Additionally, our platform allows customers to implement their own granular access controls by giving them the ability to restrict access on a per task, per project and per team basis.

In addition to security, we are deeply committed to privacy and to protecting and honoring the privacy rights of our customers. We have established a comprehensive privacy compliance program, aligning our practices with regulations such as the General Data Protection Regulation and the California Consumer Privacy Act, including by delivering periodic training to our employees on privacy best practices, reviewing and mapping the data we collect, use, and share, and creating a customer rights program and response process to honor the requests of our customers exercising their privacy rights. Above all, we strive to be transparent about our privacy practices, independent of legal obligations.

Our Customers

We have customers of all sizes ranging from individuals to global organizations. We define a customer as a distinct account, which could include a team, company, educational or government institution, organization, or distinct business unit of a company, that is on a paid subscription plan, a free version, or a free trial of one of our paid subscription plans. A single organization may have multiple customers. We define a paying customer as a customer on a paid subscription plan. As of January 31, 2021, we had over 93,000 paying customers globally, representing an increase of over 18,000 paying customers from January 31, 2020 and an increase of approximately 35,000 from January 31, 2019. Of those paying customers, 10,174 spent \$5,000 or more with us on an annualized basis, representing an increase of 3,619 paying customers from January 31, 2020. Additionally, 397 of those paying customers spent \$50,000 or more with us on an annualized basis, representing an increase of 190 paying customers from January 31, 2020. As of January 31, 2020, we had over 75,000 paying customers globally. Of those paying customers, 207 spent \$50,000 or more with us on an annualized basis, representing an increase of 148 paying customers from January 31, 2019.

Our current customer base spans numerous industry categories, including technology, retail, education, non-profit, government, healthcare, media, and financial services, and includes many category leaders across these diverse industries. No individual customer represented more than 1% of our revenues in the years ended January 31, 2021, 2020, or 2019.

Sales and Marketing

We employ a hybrid go-to-market approach, combining a self-service model with direct sales efforts. We are focused on landing teams worldwide and expanding across use cases, both within and between organizations, to ensure the success of our customers. This in turn creates positive word-of-mouth marketing, driving adoption, expansion and ultimately our business results.

Self-Service Model

A majority of our paying customers initially adopt our platform through self-service and free trials. To demonstrate the value of our platform to potential paying customers, we provide free trials of our paid Asana Premium and Business offerings in addition to our free Basic offering for teams of up to 15 people. As individuals, teams and their guests realize the productivity benefits we provide, Asana becomes an increasingly integral part of their day-to-day work and critical to helping them achieve their objectives.

Direct Sales

In conjunction with our self-service model, we have a targeted direct sales team focused on promoting new use cases and expanding our footprint within our existing customer base. Our direct sales force has a global presence, and consists primarily of sales teams focused primarily on strategic accounts with expansion opportunities including department-specific and organization-wide use cases such as employee onboarding and goal setting.

Marketing and Customer Success

We market our platform through owned properties, such as our website and social media channels, media coverage, paid acquisition, and word of mouth to promote discovery and adoption. Every month millions of people visit [asana.com](#), and hundreds of thousands of people register for the product. Our customers also have the ability to invite external parties to collaborate on specific Asana projects, which supports viral adoption of our platform.

We offer on-demand education available in-product and online, and via live learning courses as well as robust customer support available in six languages. We also offer our customers the option to partner with a list of managed service providers, consulting firms, and system integrators to help customize their account, onboard teams and run onsite training.

Our global community of customers and experts, Asana Together, connects customers, both online and offline, and creates champions. Through Asana Together, customers have access to our community Forum to ask questions and connect with peers. We also certify and support Asana Ambassadors (go-to enthusiasts who assist with and

promote adoption within their networks) and Certified Pros (independent third-party Asana consultants who offer their services for a discretionary fee to help teams make the most of their experience on our platform). Through Asana Together, we have hosted multiple in-person events on five different continents.

Effects of Inflation

We believe inflation in the regions where most of our sales occur has not had a significant effect on our net revenues or profitability.

Research and Development

Key to our success is the time, attention and investment we place on continued innovation in our platform. We will continue to invest in expanding our product offerings and enhancing the features and functionality of our platform, particularly in the areas of integrations, automation, functional workflows, security, and organization-wide use cases. We leverage the breadth of our customer base, and the diverse ways in which they use our platform, to recognize their needs quickly and guide future innovation. Further, we ourselves are users—all of our employees are committed to using Asana internally, every single day—ensuring our entire organization is in touch with the platform’s capabilities and can rapidly identify or suggest improvements. Our research and development team is responsible for the design, development, testing, and delivery of solutions for our platform.

Our Competition

The market for work management platforms is increasingly competitive, fragmented and subject to rapidly changing technology, shifting user and customer needs, new market entrants, and frequent introductions of new products and services. We compete with companies that range in size, from large and diversified with significant spending resources to smaller companies. The work management solutions market is rapidly evolving and highly competitive, with relatively low barriers to entry, and in the future there will likely be an increasing number of similar solutions offered by additional competitors. Our competition addresses the project management and work management categories, including, but not limited to, solutions around email, messaging, and spreadsheets. Our competitors fall into the following groups: companies specifically offering work management solutions; companies offering productivity suites; and companies specializing in vertical solutions.

We believe we compete favorably based on the following competitive factors:

- adaptability to a broad range of use cases;
- features and functionality of platform capabilities;
- developments and enhancements of work management solutions;
- customer service and support efforts;
- efficient hybrid go-to-market model;
- ease of use, performance, price, and reliability of solutions;
- scalability and security;
- brand strength; and
- ability to create easy to use integrations for, and robust, effective partnerships with, other larger enterprise software solutions and tools.

Intellectual Property

Our intellectual property is an important aspect of our business. To establish and protect our proprietary rights, we rely upon a combination of patent, copyright, trade secret and trademark laws, and contractual restrictions such as confidentiality agreements, licenses, and intellectual property assignment agreements. We maintain a policy

requiring our employees, contractors, consultants, and other third parties to enter into confidentiality and proprietary rights agreements to control access to our proprietary information. These laws, procedures, and restrictions provide only limited protection, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed, or misappropriated. Furthermore, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States, and we therefore may be unable to protect our proprietary technology in certain jurisdictions. Moreover, our platform incorporates software components licensed to the general public under open source software licenses. We obtain many components from software developed and released by contributors to independent open source components of our platform. Open source licenses grant licensees broad permissions to use, copy, modify, and redistribute our platform. As a result, open source development and licensing practices can limit the value of our software copyright assets.

As of January 31, 2021, we had been granted 13 U.S. patents, had 33 U.S. patent applications pending, and five notices of allowance. Our issued patents expire between January 2031 and November 2040. We have not applied for patents in foreign jurisdictions. We continually review our development efforts to assess the existence and patentability of new intellectual property. We pursue the registration of our domain names, trademarks, and service marks in the United States and in certain locations outside the United States.

Government Regulation

Our business activities are subject to various federal, state, local, and foreign laws, rules, and regulations. Compliance with these laws, rules, and regulations has not had, and is not expected to have, a material effect on our capital expenditures, results of operations and competitive position as compared to prior periods. Nevertheless, compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, business acquisitions, consumer and data protection, and taxes, could have a material impact on our business in subsequent periods. For more information on the potential impacts of government regulations affecting our business, see “Item 1A - Risk Factors.”

Human Capital Management

As of January 31, 2021, we had 1,080 employees, representing growth of 54% since January 31, 2020.

We believe that our future success largely depends upon our continued ability to attract and retain highly skilled employees. We provide our employees with competitive cash compensation, opportunities for equity ownership at all levels of the organization, development programs that enable continued learning and growth (including access to 1:1 coaching for every employee) and a robust employment package that promotes well-being across all aspects of their lives, including health care, retirement savings vehicles, and paid time off. Our compensation programs are designed to align employee interests’ with the long-term success of the company and to foster cross-business collaboration. As part of our promotion and retention efforts, we invest in ongoing leadership development through programs such as our Conscious Leadership training program and Outstanding Manager Bootcamp curriculum. In addition, we regularly conduct an employee survey to gauge employee engagement and identify areas of focus.

As a global company, we are steadfast in our commitment to diversity and inclusion. We value diversity at all levels and continue to focus on extending our diversity and inclusion initiatives across our entire workforce, from working with managers to develop strategies for building diverse teams to promoting the advancement of leaders from different backgrounds. Additional information regarding our commitment to diversity and inclusion can be found on our website at <https://asana.com/diversity-and-inclusion>. Information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K.

Corporate Information

We were incorporated under the laws of the state of Delaware in December 2008. Our principal executive offices are located at 1550 Bryant Street, Suite 200, San Francisco, CA 94103. Our telephone number is (415) 525-3888. Our website address is <https://asana.com>. Information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K. The Asana design logo, “Asana,” and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report

on Form 10-K are the property of Asana, Inc. Other trade names, trademarks, and service marks used in this Annual Report on Form 10-K are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information that we file with the SEC electronically. Copies of our reports on Form 10-K, Forms 10-Q, Forms 8-K, and amendments to those reports may also be obtained, free of charge, electronically through our investor relations website located at investors.asana.com as soon as reasonably practical after we file such material with, or furnish it to, the SEC.

We announce material information to the public using SEC filings, press releases, public conference calls, and on the investor relations page of our website at <https://investors.asana.com>. We use these channels, as well as social media, including our Twitter account (@asana), our blog (blog.asana.com), our LinkedIn page (www.linkedin.com/company/asana), our Instagram account (@asana), and our Facebook page (www.facebook.com/asana/), to communicate with investors and the public about our company, our products and services and other matters. Therefore, we encourage investors, the media and others interested in our company to review the information we make public in these locations, as such information could be deemed to be material information. Information on or that can be accessed through our websites or these social media channels is not part of this Annual Report on Form 10-K, and the inclusion of our website addresses and social media channels are inactive textual references only.

Item 1A. Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks described below, together with the other information in this Annual Report on Form 10-K, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes before deciding whether to invest in our Class A common stock. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations, and growth prospects.

Risks Related to Our Business

We have experienced rapid growth in recent periods, and our recent growth rates may not be indicative of our future growth.

We have experienced rapid growth in recent periods. In future periods, we expect our revenue growth rate to decline. Further, as we operate in a new and rapidly changing category of work management software, widespread acceptance and use of our platform is critical to our future growth and success. We believe our revenue growth depends on a number of factors, including, but not limited to, our ability to:

- attract new individuals, teams, and organizations as customers;
- grow or maintain our dollar-based net retention rate, expand usage within organizations, and sell subscriptions;
- price our subscription plans effectively;
- convert individuals, teams, and organizations on our free and trial versions into paying customers;
- achieve widespread acceptance and use of our platform, including in markets outside of the United States;
- continue to successfully expand our sales force;

- expand the features and capabilities of our platform;
- provide excellent customer experience and customer support;
- maintain the security and reliability of our platform;
- successfully compete against established companies and new market entrants, as well as existing software tools;
- increase awareness of our brand on a global basis; and
- comply with existing and new applicable laws and regulations.

If we are unable to accomplish these tasks, our revenue growth would be harmed. We also expect our operating expenses to increase in future periods, and if our revenue growth does not increase to offset these anticipated increases in our operating expenses, our business, results of operations, and financial condition will be harmed, and we may not be able to achieve or maintain profitability.

We have a limited operating history at our current scale, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have been growing rapidly in recent periods and, as a result, have a relatively short history operating our business at its current scale. Furthermore, we operate in an industry that is characterized by rapid technological innovation, intense competition, changing customer needs, and frequent introductions of new products, technologies, and services. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in evolving industries. In addition, our future growth rate is subject to a number of uncertainties, such as general economic and market conditions, including those caused by the ongoing COVID-19 pandemic. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in the market, or if we do not address these risks successfully, our results of operations could differ materially from our expectations, and our business, results of operations, and financial condition would suffer.

We have a history of losses, and we may not be able to achieve profitability or, if achieved, sustain profitability.

We have incurred net losses in each fiscal year since our founding. We generated net losses of \$211.7 million and \$118.6 million for the fiscal years ended January 31, 2021 and January 31, 2020, respectively. As of January 31, 2021, we had an accumulated deficit of \$541.4 million. We do not expect to be profitable in the near future, and we cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability. These losses reflect, among other things, the significant investments we made to develop and commercialize our platform, serve our existing customers, and broaden our customer base.

We expect to continue to make substantial future investments and expenditures related to the growth of our business, including:

- expansion of our sales and marketing activities;
- continued investments in research and development to introduce new features and enhancements to our platform;
- hiring additional employees;
- investments in infrastructure;
- expansion of our operations across our multiple geographies; and
- increasing costs associated with our general and administrative organization.

As a result of these investments and expenditures, we may experience losses in future periods that may increase significantly. Therefore, our losses in future periods may be significantly greater than the losses we would incur if we developed our business more slowly. In addition, we may find that these efforts are more expensive than we currently anticipate or that they may not result in increases in our revenues. We cannot be certain that we will be able to achieve, sustain, or increase profitability on a quarterly or annual basis. Any failure by us to achieve and sustain profitability would cause the trading price of our Class A common stock to decline.

We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability in the near and medium term.

A significant part of our business strategy and culture is to focus on long-term growth and customer success over short-term financial results. For example, in the fiscal year ended January 31, 2021, we increased our operating expenses to \$373.8 million as compared to \$242.4 million in the fiscal year ended January 31, 2020. In the fiscal year ended January 31, 2021, our net loss increased to \$211.7 million from \$118.6 million in the fiscal year ended January 31, 2020. As a result, in the near and medium term, we may continue to operate at a loss, or our near- and medium-term profitability may be lower than it would be if our strategy were to maximize near- and medium-term profitability. We expect to continue making significant expenditures on sales and marketing efforts, and expenditures to grow our platform and develop new features, integrations, capabilities, and enhancements to our platform. Such expenditures may not result in improved business results or profitability over the long term. If we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by securities or industry analysts and our stockholders, the trading price of our Class A common stock may decline.

Our quarterly results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts.

Our quarterly results of operations, including the levels of our revenues, deferred revenue, working capital, and cash flows, may vary significantly in the future, such that period-to-period comparisons of our results of operations may not be meaningful. Our quarterly financial results may fluctuate due to a variety of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- the level of demand for our platform;
- our ability to grow or maintain our dollar-based net retention rate, expand usage within organizations, and sell subscriptions;
- our ability to convert individuals, teams, and organizations using our free and trial versions into paying customers;
- the timing and success of new features, integrations, capabilities, and enhancements by us to our platform, or by our competitors to their products, or any other changes in the competitive landscape of our market;
- our ability to achieve widespread acceptance and use of our platform;
- errors in our forecasting of the demand for our platform, which would lead to lower revenues, increased costs, or both;
- the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and to remain competitive;
- the timing of expenses and recognition of revenues;
- security breaches, technical difficulties, or interruptions to our platform;
- pricing pressure as a result of competition or otherwise;
- adverse litigation judgments, other dispute-related settlement payments, or other litigation-related costs;
- the number of new employees hired;

- the timing of the grant or vesting of equity awards to employees, directors, or consultants;
- seasonal buying patterns for software spending;
- declines in the values of foreign currencies relative to the U.S. dollar;
- changes in, and continuing uncertainty in relation to, the legislative or regulatory environment;
- legal and regulatory compliance costs in new and existing markets;
- costs and timing of expenses related to the potential acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- health epidemics, such as the COVID-19 pandemic, influenza, and other highly communicable diseases or viruses; and
- general economic conditions in either domestic or international markets, including geopolitical uncertainty and instability and their effects on software spending.

Any one or more of the factors above may result in significant fluctuations in our quarterly results of operations, which may negatively impact the trading price of our Class A common stock. You should not rely on our past results as an indicator of our future performance.

The variability and unpredictability of our quarterly results of operations or other operating metrics could result in our failure to meet our expectations or those of investors or analysts with respect to revenues or other metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of our Class A common stock would fall, and we would face costly litigation, including securities class action lawsuits.

We may not be able to effectively manage our growth.

We have experienced rapid growth and increased demand for our platform. The growth and expansion of our business and platform may place a significant strain on our management, operational, and financial resources. We are required to manage multiple relationships with various strategic partners, customers, and other third parties. In the event of further growth of our operations or in the number of our third-party relationships, our computer systems, procedures, or internal controls may not be adequate to support our operations, and our management may not be able to manage such growth effectively. To effectively manage our growth, we must continue to implement and improve our operational, financial, and management information systems and expand, train, and manage our employee base.

The COVID-19 pandemic has affected how we, our partners, and our customers operate and has adversely affected the global economy, and the duration and extent to which this will affect our business, future results of operations, and financial condition remains uncertain.

In December 2019, COVID-19 was first reported to the World Health Organization, or WHO. In January 2020, the WHO declared the outbreak to be a public health emergency, and in March 2020, the WHO characterized COVID-19 as a pandemic. Since then, the COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods, and services worldwide. As a result, we have closed our headquarters and most of our other offices, required our employees and contractors to work remotely, implemented travel restrictions, and shifted company events and meetings to virtual-only experiences, all of which continued throughout 2020 and into 2021. These measures represent a significant disruption in how we operate our business, and we currently do not have visibility on when we may return to normal operations. The operations of our partners, vendors, and customers have likewise been disrupted.

While the duration of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment and mitigation actions, and the availability and widespread use of effective vaccines, it has already had an adverse effect on the global economy, and the ultimate societal and economic impact of the COVID-19 pandemic remains unknown. In particular, the conditions caused by this pandemic may affect the rate of global IT spending, which could adversely affect demand for our

platform. Further, the COVID-19 pandemic has caused us to experience, in some cases, longer sales cycles and an increase in certain prospective and current customers seeking lower prices or other more favorable contract terms, and has limited the ability of our direct sales force to travel to customers and potential customers. In addition, the COVID-19 pandemic could reduce the value or duration of subscriptions, negatively impact collections of accounts receivable, reduce expected spending from our paying customers, cause some of our paying customers to go out of business, and affect contraction or attrition rates of our paying customers, all of which could adversely affect our business, results of operations, and financial condition. Additionally, concerns over the ongoing economic impact of COVID-19 have caused volatility in financial and other capital markets, which may adversely affect our stock price and our ability to access capital markets in the future.

While we have developed and continue to develop plans to help mitigate the negative impact of COVID-19 on our business and operations, these efforts may not be effective, and any protracted economic downturn will likely limit the effectiveness of our efforts. Accordingly, it is not possible for us to predict the duration and extent to which this will affect our business, future results of operations, and financial condition at this time.

If we are unable to attract new customers, convert individuals, teams, and organizations using our free and trial versions into paying customers, and expand usage within organizations or develop new features, integrations, capabilities, and enhancements that achieve market acceptance, our revenue growth would be harmed.

To increase our revenues and achieve profitability, we must increase our customer base through various methods, including but not limited to, adding new customers, converting individuals, teams, and organizations using our free and trial versions into paying customers, and expanding usage within organizations. We encourage customers on our free and trial versions to upgrade to paid subscriptions plans and customers of our Premium plan to upgrade to our Business or Enterprise plans. Additionally, we seek to expand within enterprises by adding new customers, having organizations upgrade to our Business or Enterprise plans, or expanding their use of our platform into other departments within an organization. While we have experienced significant growth in the number of customers, we do not know whether we will continue to achieve similar customer growth rates in the future. Numerous factors may impede our ability to add new customers, convert individuals, teams, and organizations using our free and trial versions into paying customers, expand usage within organizations, and sell subscriptions to our platform, including but not limited to, our failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate our current sales and marketing personnel, failure to develop or expand relationships with partners, failure to compete effectively against alternative products or services, failure to successfully deploy new features and integrations, failure to provide a quality customer experience and customer support, or failure to ensure the effectiveness of our marketing programs. Additionally, as we focus on increasing our sales to larger organizations, we will be required to deploy sophisticated and costly sales efforts, which may result in longer sales cycles. Sales efforts targeted at larger customers typically involve greater costs, longer sales cycles, greater competition, and less predictability in completing some of our sales. In the large enterprise market, the customer's decision to use our platform can sometimes be an enterprise-wide decision, in which case, we will likely be required to provide greater levels of customer education to familiarize potential customers with the use and benefits of our platform, as well as training and support. In addition, larger enterprises may demand more customization, integration and support services, and features. As a result of these factors, these sales opportunities may require us to devote greater sales, research and development, and customer support resources to these customers, resulting in increased costs, lengthened sales cycles, and diversion of our own sales and professional services resources to a smaller number of larger customers. In addition, the ongoing COVID-19 pandemic and related precautionary measures we and other companies are taking are impacting our sales activity. For example, like many other companies, including our customers and prospects, our employees are working remotely, and we have limited all non-essential business travel. Restrictions on travel and in-person meetings have interrupted and could continue to interrupt our sales activity, and we cannot predict whether, for how long, or the extent to which the COVID-19 pandemic and related precautionary measures may have an impact. If our efforts to sell to organizations of all sizes are not successful or do not generate additional revenues, our business, results of operations, and financial condition would suffer.

In addition, we believe that many of our new customers originate from word-of-mouth and other non-paid referrals from existing customers, so we must ensure that our existing customers remain loyal to our platform in order to continue receiving those referrals. Our ability to attract new customers and increase revenues from existing paying customers depends in large part on our ability to continually enhance and improve our platform and the

features, integrations, and capabilities we offer, and to introduce compelling new features, integrations, and capabilities that reflect the changing nature of our market in order to maintain and improve the quality and value of our platform. Accordingly, we must continue to invest in research and development and in our ongoing efforts to improve and enhance our platform. The success of any enhancement to our platform depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies, and overall market acceptance. Any new features, integrations, and capabilities that we develop may not be introduced in a timely or cost-effective manner, may contain errors, failures, vulnerabilities, or bugs, or may not achieve the market acceptance necessary to generate significant revenues. Furthermore, the COVID-19 pandemic could have an impact on our plans to offer certain new features, integrations, and capabilities in a timely manner, particularly if we experience impacts to productivity due to our employees or their family members experiencing health issues, if our employees continue to work remotely for extended periods, or if there are increasing delays in the hiring and onboarding of new employees.

Moreover, our business is subscription based, and customers are not obligated to and may not renew their subscriptions after their existing subscriptions expire, and we cannot ensure that customers will renew subscriptions with a similar contract period, with the same or greater number of users, or for the same level of subscription plan or upgrade to Business and Enterprise plans. Customers may or may not renew their subscription plans as a result of a number of factors, including their satisfaction or dissatisfaction with our platform, our pricing or pricing structure, the pricing or capabilities of the products and services offered by our competitors, the effects of general economic conditions, or customers' budgetary constraints. If customers do not renew their subscriptions, renew on less favorable terms, or fail to add more individuals, teams, and organizations, or if we fail to upgrade individuals, teams, and organizations to our paid subscription plans, or expand the adoption of our platform within organizations, our revenues may decline or grow less quickly than anticipated, which would harm our business, results of operations, and financial condition. Additionally, we continue to monitor how COVID-19 may impact the adoption of our platform generally and our success in engaging with new customers and expanding relationships with existing customers. We also may continue to experience a reduction in renewal rates, particularly within our small and medium-sized customers, as well as reduced customer spend and delayed payments that could materially impact our business, results of operations, and financial condition in future periods. While we believe our revenues are relatively predictable in the near-term as a result of our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our operating results and overall financial performance until future periods. If we fail to predict customer demands, fail to sufficiently account for the impact of COVID-19 on our sales projections, or fail to attract new customers and maintain and expand new and existing customer relationships, our revenues may grow more slowly than expected, may not grow at all, or may decline, and our business may be harmed.

One of our marketing strategies is to offer free and trial subscription plans, and we may not be able to continue to realize the benefits of this strategy.

We offer free and trial subscription plans to promote brand awareness and organic adoption of our platform. Historically, only a small percentage of individuals, teams, and organizations using our free and trial subscription plans has converted into one of our paid subscription plans. Our marketing strategy depends in part on individuals, teams, and organizations who use our free and trial versions of our platform convincing others within their organizations to use Asana and to become paying customers. To the extent that increasing numbers of these individuals, teams, and organizations do not become, or lead others to become, paying customers, we will not realize the intended benefits of this marketing strategy, we will continue to pay the costs associated with hosting such free and trial versions, our ability to grow our business will be harmed, and our business, results of operations, and financial condition will suffer.

We derive, and expect to continue to derive, substantially all of our revenues from a single solution.

We derive, and expect to continue to derive, substantially all of our revenues from a single solution. As such, the continued growth in market demand for and market acceptance, including international market acceptance, of our platform is critical to our continued success. Demand for our platform is affected by a number of factors, some of which are beyond our control, such as the rate of market adoption of work management solutions; the timing of development and release of competing new products; the development and acceptance of new features, integrations,

and capabilities for our platform; price, product, and service changes by us or our competitors; technological changes and developments within the markets we serve; growth, contraction, and rapid evolution of our market; and general economic conditions and trends. If we are unable to continue to meet the demands of individuals, teams, and organizations or trends in preferences for work management solutions or to achieve more widespread market acceptance of our platform, our business, results of operations, and financial condition would be harmed. Changes in preferences of our current or potential customers may have a disproportionately greater impact on us than if we offered multiple products. In addition, some current and potential customers, particularly larger organizations, may develop or acquire their own tools or continue to rely on traditional tools and software for their work management solutions, which would reduce or eliminate their demand for our platform. If demand for our platform declines for any of these or other reasons, our business, results of operations, and financial condition would be adversely affected.

If the market for work management solutions develops more slowly than we expect or declines, our business would be adversely affected.

It is uncertain whether work management solutions will achieve and sustain high levels of customer demand and market acceptance given the relatively early stage of development of this market. Our success will depend to a substantial extent on the widespread adoption of work management solutions generally. Individuals and organizations may be reluctant or unwilling to migrate to work management solutions from spreadsheets, email, messaging, and legacy project management tools. It is difficult to predict adoption rates and demand for our platform, the future growth rate and size of the market for work management solutions, or the entry of competitive offerings. The expansion of the work management solutions market depends on a number of factors, including the cost, performance, and perceived value associated with work management solutions. If work management solutions do not achieve widespread adoption, or there is a reduction in demand for work management solutions caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending, or otherwise, it could result in decreased revenues, and our business, results of operations, and financial condition would be adversely affected.

We operate in a highly competitive industry, and competition presents an ongoing threat to the success of our business.

The market for work management solutions is increasingly competitive, fragmented, and subject to rapidly changing technology, shifting user and customer needs, new market entrants, and frequent introductions of new products and services. We compete with companies that range in size from large and diversified with significant spending resources to smaller companies. Our competition addresses the project management and work management categories, including, but not limited to, solutions relating to email, messaging, and spreadsheets. Our competitors generally fall into the following groups: companies specifically offering work management solutions, companies offering productivity suites, and companies specializing in vertical solutions that address a portion of our market.

We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- adaptability of our platform to a broad range of use cases;
- continued market acceptance of our platform and the timing and market acceptance of new features and enhancements to our platform or the offerings of our competitors;
- ease of use, performance, price, security, and reliability of solutions developed either by us or our competitors;
- our brand strength;
- selling and marketing efforts, including our ability to grow our market share domestically and internationally;
- the size and diversity of our customer base;

- customer support efforts; and
- our ability to continue to create easy to use integrations for, and robust, effective partnerships with, other larger enterprise software solutions and tools.

Many of our current and potential competitors may have longer operating histories, greater brand name recognition, stronger and more extensive partner relationships, significantly greater financial, technical, marketing, and other resources, lower labor and development costs, and larger customer bases than we do. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns, and adopt more aggressive pricing policies that will allow them to build larger customer bases than we have. In addition, some of our potential customers may elect to develop their own internal applications for their work management needs. Our competitors may also offer their products and services at a lower price, or, particularly during the ongoing COVID-19 pandemic, may offer price concessions, delayed payment terms, financing terms, or other terms and conditions that are more enticing to potential customers.

The work management solutions market is rapidly evolving and highly competitive, with relatively low barriers to entry, and in the future there will likely be an increasing number of similar solutions offered by additional competitors. Large companies we do not currently consider to be competitors may enter the market, through acquisitions or through innovation and expansion of their existing solutions, to compete with us either directly or indirectly. Further, our potential and existing competitors may make acquisitions or enter into strategic relationships and rapidly acquire significant market share due to a larger customer base, superior product offering, more effective sales and marketing operations, or greater financial, technical, and other resources.

Any one of these competitive pressures in our market, or our failure to compete effectively, may result in price reductions; fewer customers; reduced revenues, gross profit, and gross margin; increased net losses; and loss of market share. Any failure to meet and address these factors would harm our business, results of operations, and financial condition.

Failure to effectively develop and expand our direct sales capabilities would harm our ability to expand usage of our platform within our customer base and achieve broader market acceptance of our platform.

Our ability to expand usage of our platform within our customer base and achieve broader market acceptance among businesses will depend to a significant extent on our ability to expand our sales operations successfully, particularly our direct sales efforts targeted at broadening use of our platform across departments and entire organizations. We plan to continue expanding our direct sales force, both domestically and internationally, to expand use of our platform within our customer base, and reach larger teams and organizations. This expansion will require us to continue to invest significant financial and other resources to train and grow our direct sales force in order to complement our self-service go-to-market approach. Our business, results of operations, and financial condition will be harmed if our efforts do not generate a corresponding increase in revenues. We may not achieve anticipated revenue growth from expanding our direct sales force if we are unable to hire and develop talented direct sales personnel, if our new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if we are unable to retain our existing direct sales personnel. We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales personnel to support our growth.

The loss of one or more of our key personnel, in particular our co-founder, President, Chief Executive Officer, and Chair, Dustin Moskovitz, would harm our business.

Our success depends largely upon the continued services and performance of our senior management and other key personnel. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. Our senior management and key employees are employed on an at-will basis. We currently do not have “key person” insurance on any of our employees. The loss of key personnel, including our co-founder, President, Chief Executive Officer, and Chair, Dustin Moskovitz, and other key members of management, as well as our product development, engineering, sales, and marketing personnel, would disrupt our operations and have an adverse effect on our ability to grow our

business. Changes in our senior management team may also cause disruptions in, and harm to, our business, results of operations, and financial condition.

We must continue to attract and retain highly qualified personnel in very competitive markets to continue to execute on our business strategy and growth plans.

To execute our business model, we must attract and retain highly qualified personnel. Competition for executive officers, software engineers, sales personnel, and other key personnel in our industry and in the San Francisco Bay Area, where our headquarters is located, and in other locations where we maintain offices, is intense. As we become a more mature company, we may find our recruiting efforts more challenging. The incentives to attract, retain, and motivate employees provided by our stock options and other equity awards, or by other compensation arrangements, may not be as effective as in the past. Many of the companies with which we compete for experienced personnel have greater resources than we have. Our recruiting efforts may also be limited by laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of visas (including during the ongoing COVID-19 pandemic). If we do not succeed in attracting excellent personnel or retaining or motivating existing personnel, we may be unable to innovate quickly enough to support our business model or grow effectively.

Our failure to protect our sites, networks, and systems against security breaches, or otherwise to protect our confidential information or the confidential information of our users, customers, or other third parties, would damage our reputation and brand, and substantially harm our business and results of operations.

Breaches of our security measures or those of our third-party service providers or cyber security incidents would result in unauthorized access to our sites, networks, systems, and accounts; unauthorized access to, and misappropriation of, individuals' personal information or other confidential or proprietary information of ourselves, our customers, or other third parties; viruses, worms, spyware, or other malware being served from our platform, mobile application, networks, or systems; deletion or modification of content or the display of unauthorized content on our platform; interruption, disruption, or malfunction of operations; costs relating to breach remediation, deployment of additional personnel and protection technologies, and response to governmental investigations and media inquiries and coverage; engagement of third-party experts and consultants; or litigation, regulatory action, and other potential liabilities. If any of these breaches of security should occur, we cannot guarantee that recovery protocols and backup systems will be sufficient to prevent data loss. Additionally, if any of these breaches occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and we could be exposed to risk of loss, litigation or regulatory action, and other potential liability. Actual or anticipated security breaches or attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Additionally, there is an increased risk that we may experience cybersecurity-related events such as the reported cybersecurity attack on SolarWinds and a large number of its customers and other security challenges as a result of most of our employees and our service providers working remotely from non-corporate-managed networks during the ongoing COVID-19 pandemic and potentially beyond.

Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data protection, data security, network and information systems security, and other laws, and cause significant legal and financial exposure, adverse publicity, and a loss of confidence in our security measures, which could have a material adverse effect on our business, results of operations, and financial condition. We continue to devote significant resources to protect against security breaches, and we may need to devote significant resources in the future to address problems caused by breaches, including notifying affected subscribers and responding to any resulting litigation, which in turn, diverts resources from the growth and expansion of our business.

If we fail to manage our technical operations infrastructure, or experience service outages, interruptions, or delays in the deployment of our platform, our results of operations may be harmed.

We may experience system slowdowns and interruptions from time to time. In addition, continued growth in our customer base could place additional demands on our platform and could cause or exacerbate slowdowns or interrupt the availability of our platform. If there is a substantial increase in the volume of usage on our platform, we

will be required to further expand and upgrade our technology and infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our platform or expand and upgrade our systems and infrastructure to accommodate such increases on a timely basis. In such cases, if our users are not able to access our platform or encounter slowdowns when doing so, we may lose customers or partners. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality, and features of our platform. Our disaster recovery plan may not be sufficient to address all aspects or any unanticipated consequence or incidents, and our insurance may not be sufficient to compensate us for the losses that could occur.

Moreover, Amazon Web Services, or AWS, provides the cloud computing infrastructure that we use to host our platform, mobile application, and many of the internal tools we use to operate our business. We have a long-term commitment with AWS, and our platform, mobile application, and internal tools use computing, storage capabilities, bandwidth, and other services provided by AWS. Any significant disruption of, limitation of our access to, or other interference with our use of AWS would negatively impact our operations and could seriously harm our business. In addition, any transition of the cloud services currently provided by AWS to another cloud services provider would require significant time and expense and could disrupt or degrade delivery of our platform. Our business relies on the availability of our platform for our users and customers, and we may lose users or customers if they are not able to access our platform or encounter difficulties in doing so. The level of service provided by AWS could affect the availability or speed of our platform, which may also impact the usage of, and our customers' satisfaction with, our platform and could seriously harm our business and reputation. If AWS increases pricing terms, terminates or seeks to terminate our contractual relationship, establishes more favorable relationships with our competitors, or changes or interprets its terms of service or policies in a manner that is unfavorable with respect to us, our business, results of operations, and financial condition could be harmed.

In addition, we rely on hardware and infrastructure purchased or leased from third parties and software licensed from third parties to operate critical business functions. Our business would be disrupted if any of this third-party hardware, software, and infrastructure becomes unavailable on commercially reasonable terms, or at all. Furthermore, delays or complications with respect to the transition of critical business functions from one third-party product to another, or any errors or defects in third-party hardware, software, or infrastructure could result in errors or a failure of our platform, which could harm our business and results of operations.

Real or perceived errors, failures, vulnerabilities, or bugs in our platform would harm our business, results of operations, and financial condition.

The software technology underlying and integrating with our platform is inherently complex and may contain material defects or errors. Errors, failures, vulnerabilities, or bugs have in the past, and may in the future, occur in our platform and mobile application, especially when updates are deployed or new features, integrations, or capabilities are rolled out. Any such errors, failures, vulnerabilities, or bugs may not be found until after new features, integrations, or capabilities have been released. Furthermore, we will need to ensure that our platform can scale to meet the evolving needs of customers, particularly as we increase our focus on larger teams and organizations. Real or perceived errors, failures, vulnerabilities, or bugs in our platform and mobile application could result in an interruption in the availability of our platform, negative publicity, unfavorable user experience, loss or leaking of personal data and data of organizations, loss of or delay in market acceptance of our platform, loss of competitive position, regulatory fines, or claims by organizations for losses sustained by them, all of which would harm our business, results of operations, and financial condition.

If we are unable to ensure that our platform interoperates with a variety of software applications that are developed by others, including our integration partners, we may become less competitive and our results of operations may be harmed.

Our platform must integrate with a variety of hardware and software platforms, and we need to continuously modify and enhance our platform to adapt to changes in hardware, software, and browser technologies. In particular, we have developed our platform to be able to easily integrate with third-party applications, including the applications of software providers that compete with us as well as our partners, through the interaction of application programming interfaces, or APIs. In general, we rely on the providers of such software systems to allow us access to their APIs to enable these integrations. We are typically subject to standard terms and conditions of such providers,

which govern the distribution, operation, and fees of such software systems, and which are subject to change by such providers from time to time. Our business will be harmed if any provider of such software systems:

- discontinues or limits our access to its software or APIs;
- modifies its terms of service or other policies, including fees charged to, or other restrictions on us, or other application developers;
- changes how information is accessed by us or our customers;
- establishes more favorable relationships with one or more of our competitors; or
- develops or otherwise favors its own competitive offerings over our platform.

Third-party services and products are constantly evolving, and we may not be able to modify our platform to assure its compatibility with that of other third parties. In addition, some of our competitors may be able to disrupt the operations or compatibility of our platform with their products or services, or exert strong business influence on our ability to, and terms on which we, operate our platform. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our platform or gives preferential treatment to competitive products or services, whether to enhance their competitive position or for any other reason, the interoperability of our platform with these products could decrease and our business, results of operations, and financial condition would be harmed. If we are not permitted or able to integrate with these and other third-party applications in the future, our business, results of operations, and financial condition would be harmed.

Further, our platform includes a mobile application to enable individuals, teams, and organizations to access our platform through their mobile devices. If our mobile application does not perform well, our business will suffer. In addition, our platform interoperates with servers, mobile devices, and software applications predominantly through the use of protocols, many of which are created and maintained by third parties. We, therefore, depend on the interoperability of our platform with such third-party services, mobile devices, and mobile operating systems, as well as cloud-enabled hardware, software, networking, browsers, database technologies, and protocols that we do not control. The loss of interoperability, whether due to actions of third parties or otherwise, and any changes in technologies that degrade the functionality of our platform or give preferential treatment to competitive services could adversely affect adoption and usage of our platform. Also, we may not be successful in developing or maintaining relationships with key participants in the mobile industry or in ensuring that Asana operates effectively with a range of operating systems, networks, devices, browsers, protocols, and standards. If we are unable to effectively anticipate and manage these risks, or if it is difficult for customers to access and use our platform, our business, results of operations, and financial condition may be harmed.

Our culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the high employee engagement fostered by our culture, which could harm our business.

We believe that a critical component of our success has been our culture. We have invested substantial time and resources in building out our team with an emphasis on shared values and a commitment to diversity and inclusion. As we continue to grow and develop the infrastructure associated with being a public company, we will need to maintain our culture among a larger number of employees dispersed in various geographic regions. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our mission to help humanity by enabling the world's teams to work together effortlessly.

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

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the “Asana” brand is critical to expanding our customer base and establishing and maintaining relationships with partners. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to ensure that our platform remains high-

quality, reliable, and useful at competitive prices, as well as with respect to our free and trial versions. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the “Asana” brand, or if we incur excessive expenses in this effort, our business, results of operations, and financial condition would be adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become more difficult and expensive.

If we fail to offer high-quality customer support, our business and reputation will suffer.

While we have designed our platform to be easy to adopt and use, once individuals, teams, and organizations begin using Asana, they rely on our support services to resolve any related issues. High-quality user and customer education and customer experience have been key to the adoption of our platform and for the conversion of individuals, teams, and organizations on our free and trial versions into paying customers. The importance of high-quality customer experience will increase as we expand our business and pursue new customers. For instance, if we do not help organizations on our platform quickly resolve issues and provide effective ongoing user experience at the individual, team, and organizational levels, our ability to convert organizations on our free and trial versions into paying customers will suffer, and our reputation with existing or potential customers will be harmed. Further, our sales are highly dependent on our business reputation and on positive recommendations from existing individuals, teams, and organizations on our platform. Any failure to maintain high-quality customer experience, or a market perception that we do not maintain high-quality customer experience, could harm our reputation, our ability to sell our platform to existing and prospective customers, and our business, results of operations, and financial condition.

In addition, as we continue to grow our operations and reach a larger and increasingly global customer and user base, we need to be able to provide efficient customer support that meets the needs of organizations on our platform globally at scale. The number of organizations on our platform has grown significantly, which puts additional pressure on our support organization. We will need to hire additional support personnel to provide efficient product support globally at scale, and if we are unable to provide such support, our business, results of operations, and financial condition would be harmed.

We rely on third parties maintaining open marketplaces to distribute our mobile application. If such third parties interfere with the distribution of our platform, our business would be adversely affected.

We rely on third parties maintaining open marketplaces, including the Apple App Store and Google Play, which make our mobile application available for download. We cannot assure you that the marketplaces through which we distribute our mobile application will maintain their current structures or that such marketplaces will not charge us fees to list our application for download. We are also dependent on these third-party marketplaces to enable us and our users to timely update our mobile application, and to incorporate new features, integrations, and capabilities. We are subject to requirements imposed by marketplaces such as Apple and Google, who may change their technical requirements or policies in a manner that adversely impacts the way in which we or our partners collect, use and share data from users through our mobile application. If we do not comply with these requirements, we could lose access to the mobile application marketplace and users, and our business, results of operations, and financial condition may be harmed.

In addition, Apple Inc. and Google, among others, for competitive or other reasons, could stop allowing or supporting access to our mobile application through their products, could allow access for us only at an unsustainable cost, or could make changes to the terms of access in order to make our mobile application less desirable or harder to access.

We rely on traditional web search engines to direct traffic to our website. If our website fails to rank prominently in unpaid search results, traffic to our website could decline and our business would be adversely affected.

Our success depends in part on our ability to attract users through unpaid Internet search results on traditional web search engines such as Google. The number of users we attract to our website from search engines is due in large part to how and where our website ranks in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies, or design layouts. As a result, links to our website may

not be prominent enough to drive traffic to our website, and we may not know how or otherwise be in a position to influence the results. Any reduction in the number of users directed to our website could reduce our revenues or require us to increase our sales and marketing expenditures.

We may become subject to intellectual property rights claims and other litigation that are expensive to support, and if resolved adversely, could have a material adverse effect on us.

There is considerable patent and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities, including non-practicing entities and individuals, may own or claim to own intellectual property relating to our industry. As we face increasing competition and our public profile increases, the possibility of intellectual property rights claims against us may also increase. From time to time, our competitors or other third parties have claimed, and may in the future claim, that we are infringing upon, misappropriating, or violating their intellectual property rights, even if we are unaware of the intellectual property rights that such parties may claim cover our platform or some or all of the other technologies we use in our business. The costs of supporting such litigation, regardless of merit, are considerable, and such litigation may divert management and key personnel's attention and resources, which might seriously harm our business, results of operations, and financial condition. We may be required to settle such litigation on terms that are unfavorable to us. For example, a settlement may require us to obtain a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices would require significant effort and expense. Similarly, if any litigation to which we may be a party fails to settle and we go to trial, we may be subject to an unfavorable judgment which may not be reversible upon appeal. For example, the terms of a judgment may require us to cease some or all of our operations or require the payment of substantial amounts to the other party. Any of these events would cause our business and results of operations to be materially and adversely affected as a result.

We are also frequently required to indemnify our reseller partners and customers in the event of any third-party infringement claims against our customers and third parties who offer our platform, and such indemnification obligations may be excluded from contractual limitation of liability provisions that limit our exposure. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers and reseller partners, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers and reseller partners, may be required to modify our allegedly infringing platform to make it non-infringing, or may be required to obtain licenses for the products used. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our platform, and our reseller partners may be forced to stop selling our platform.

If we are unable to protect our intellectual property rights, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.

Our success is dependent, in part, upon protecting our intellectual property rights and proprietary information. We rely and expect to continue to rely on a combination of trademark, copyright, patent, and trade secret protection laws to protect our intellectual property rights and proprietary information. Additionally, we maintain a policy requiring our employees, consultants, independent contractors, and third parties who are engaged to develop any material intellectual property for us to enter into confidentiality and invention assignment agreements to control access to and use of our proprietary information and to ensure that any intellectual property developed by such employees, contractors, consultants, and other third parties are assigned to us. However, we cannot guarantee that the confidentiality and proprietary agreements or other employee, consultant, or independent contractor agreements we enter into adequately protect our intellectual property rights and other proprietary information. In addition, we cannot guarantee that these agreements will not be breached, that we will have adequate remedies for any breach, or that the applicable counter-parties to such agreements will not assert rights to our intellectual property rights or other proprietary information arising out of these relationships. Furthermore, the steps we have taken and may take in the future may not prevent misappropriation of our proprietary solutions or technologies, particularly with respect to officers and employees who are no longer employed by us.

Furthermore, third parties may knowingly or unknowingly infringe or circumvent our intellectual property rights, and we may not be able to prevent infringement without incurring substantial expense. Litigation brought to protect and enforce our intellectual property rights would be costly, time-consuming, and distracting to management and key personnel, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. If the protection of our intellectual property rights is inadequate to prevent use or misappropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our platform and methods of operations. Any of these events would have a material adverse effect on our business, results of operations, and financial condition.

Our failure to obtain or maintain the right to use certain of our intellectual property would negatively affect our business.

Our future success and competitive position depends in part upon our ability to obtain or maintain certain intellectual property used in our platform. While we have been issued patents for certain aspects of our intellectual property in the United States and have additional patent applications pending in the United States, we have not applied for patent protection in foreign jurisdictions, and may be unable to obtain patent protection for the technology covered in our patent applications. In addition, we cannot ensure that any of the patent applications will be approved or that the claims allowed on any issued patents will be sufficiently broad to protect our technology or platform and provide us with competitive advantages. Furthermore, any issued patents may be challenged, invalidated, or circumvented by third parties.

Many patent applications in the United States may not be public for a period of time after they are filed, and since publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we cannot be certain that we will be the first creator of inventions covered by any patent application we make or that we will be the first to file patent applications on such inventions. Because some patent applications may not be public for a period of time, there is also a risk that we could adopt a technology without knowledge of a pending patent application, which technology would infringe a third-party patent once that patent is issued.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, and independent contractors to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how, or other proprietary information in the event of any unauthorized use, misappropriation, or disclosure of such trade secrets, know-how, or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, our business would be materially adversely affected.

We rely on our trademarks, trade names, and brand names to distinguish our solutions from the products of our competitors, and have registered or applied to register many of these trademarks in the United States and certain countries outside the United States. However, occasionally third parties may have already registered identical or similar marks for products or solutions that also address the software market. As we rely in part on brand names and trademark protection to enforce our intellectual property rights, efforts by third parties to limit use of our brand names or trademarks and barriers to the registration of brand names and trademarks in various countries may restrict our ability to promote and maintain a cohesive brand throughout our key markets. There can also be no assurance that pending or future U.S. or foreign trademark applications will be approved in a timely manner or at all, or that such registrations will effectively protect our brand names and trademarks. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our platform, which would result in loss of brand recognition and would require us to devote resources to advertising and marketing new brands.

Any future litigation against us could be costly and time-consuming to defend.

We have in the past and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business. We could be sued or face regulatory action for defamation, civil rights infringement,

negligence, intellectual property rights infringement, invasion of privacy, personal injury, product liability, regulatory compliance, or other legal claims relating to information that is published or made available via our platform. Litigation might result in substantial costs and may divert management and key personnel's attention and resources, which might seriously harm our business, results of operations, and financial condition. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our business, results of operations, and financial condition.

Our use of "open source" and third-party software could impose unanticipated conditions or restrictions on our ability to commercialize our solutions and could subject us to possible litigation.

A portion of the technologies we use in our platform and mobile application incorporates "open source" software, and we may incorporate open source software in our platform and mobile application in the future. From time to time, companies that use third-party open source software have faced claims challenging the use of such open source software and their compliance with the terms of the applicable open source license. We may be subject to suits 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 licenses require end-users who distribute or make available across a network software and services that include open source software to make available all or part of such software, which in some circumstances could include valuable proprietary code, at no cost, or license such code 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 applicable terms of such license, including claims for infringement of intellectual property rights or for breach of contract. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose source code that incorporates or is a modification of such licensed software. Furthermore, there is an increasing number of open-source software license types, almost none of which have been tested in a court of law, resulting in a dearth of guidance regarding the proper legal interpretation of such license types. If an author or other third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable open source license, we could expend substantial time and resources to re-engineer some or all of our software or be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our platform that contained the open source software, and required to comply with the foregoing conditions, including public release of certain portions of our proprietary source code.

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 be harmful to our business, financial condition, or operating results.

We rely on software licensed from third parties to offer our platform. In addition, we may need to obtain future licenses from third parties to use intellectual property rights associated with the development of our platform, which might not be available on acceptable terms, or at all. Any loss of the right to use any third-party software required for the development and maintenance of our platform or mobile application could result in loss of functionality or availability of our platform or mobile application until equivalent technology is either developed by us, or, if available, is identified, obtained, and integrated. Any errors or defects in third-party software could result in errors or a failure of our platform or mobile application. Any of the foregoing would disrupt the distribution and sale of subscriptions to our platform and harm our business, results of operations, and financial condition.

We receive, process, store, and use business and personal information, which subjects us to governmental regulation and other legal obligations related to data protection and security, and our actual or perceived failure to comply with such obligations could harm our business and expose us to liability.

We receive, process, store, and use business and personal information belonging to our users and customers. There are numerous federal, state, local, and foreign laws and regulations regarding data protection and the storing, sharing, use, processing, disclosure, and protection of business and personal information. These laws continue to evolve in scope and are subject to differing interpretations, and may contain inconsistencies or pose conflicts with other legal requirements. We seek to comply with applicable laws, regulations, policies, legal obligations, and industry standards and have developed privacy policies, data processing addenda, and internal privacy procedures to reflect such compliance. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Failure or perceived failure by us to comply with our privacy policies, privacy-related obligations to users, customers, or other third parties, or our privacy-related legal obligations, or any data compromise that results in the unauthorized release, misuse, or transfer of business or personal information or other user or customer data, may result in domestic or foreign governmental enforcement actions, fines, litigation, or public statements against us by our users, customers, consumers, regulators, consumer advocacy groups, or others, which would have an adverse effect on our reputation and business. We could also incur significant costs investigating and defending such claims and, if we are found liable, significant damages.

Data protection regulation is an area of increased focus and changing requirements. Any significant change in applicable laws, regulations, or industry practices regarding the use or disclosure of our users' or customers' data, or regarding the manner in which the express or implied consent of users or customers for the use and disclosure of such data is obtained, could require us to modify our platform, possibly in a material manner, and may limit our ability to develop new services and features that make use of the data that our users and customers voluntarily share. For example, the General Data Protection Regulation 2016/679, or GDPR, which came into effect in the European Union, or E.U., in May 2018 and superseded prior E.U. data protection legislation, imposes more stringent data protection requirements and provides for greater penalties for noncompliance. The GDPR enhances data protection obligations for processors and controllers of personal information, including, for example, expanded disclosures of requirements, limitations on retention of personal information, mandatory data breach notification requirements, and additional obligations. Non-compliance with the GDPR can trigger fines of up to the greater of €20 million or 4% of our global revenues and restrictions or prohibitions on data processing. While we instituted a GDPR compliance strategy and program that we continue to evaluate and improve as our platform changes and expands, we still do not know how E.U. regulators will interpret or enforce many aspects of the GDPR, and some regulators may do so in an inconsistent manner.

Further, the United Kingdom's ("U.K.") exit from the European Union, often referred to as Brexit, requires us to comply with a separate set of data protection laws in the U.K. and exposes us to the potential for divergent enforcement actions.

Pursuant to a post-Brexit trade deal between the U.K. and the E.U., transfers of personal information from the European Economic Area ("EEA") to the U.K. are not considered restricted transfers under the GDPR for a period of up to six months from January 1, 2021. However, unless the E.U. Commission makes an adequacy finding with respect to the U.K. before the end of that period, the U.K. will be considered a "third country" under the GDPR and transfers of European personal information to the U.K. will require an adequacy mechanism to render such transfers lawful under the GDPR. Additionally, although the U.K. enacted the Data Protection Act in May 2018 that is designed to be consistent with the GDPR, uncertainty remains regarding how data transfers to and from the U.K. will be regulated notwithstanding Brexit. The effects of Brexit have been and are expected to continue to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions globally, and could continue to contribute to instability in global financial markets. Brexit could also have the effect of disrupting the free movement of goods, services, and people between the U.K. and the E.U. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. The full effects of Brexit are uncertain and will remain so until the U.K. and European Union reach a definitive resolution with regards to outstanding trade and legal matters. Given these

possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations, and financial condition could be adversely affected by Brexit is uncertain.

In addition, the European Court of Justice issued an opinion in the “Schrems II” case that invalidated the transfer of personal data from the European Union to the United States under the EU-US Privacy Shield and questioned whether transfers using other data transfer mechanisms may continue without additional safeguards.

Similarly, the Swiss Federal Data Protection and Information Commissioner announced that the Swiss-U.S. Privacy Shield Framework is inadequate for personal information transfers from Switzerland to the United States, and also raised questions about the viability of the Standard Contractual Clauses (“SCCs”). At present, there are few, if any, viable alternatives to the EU-U.S. Privacy Shield, Swiss-U.S. Privacy Shield, and the SCCs, all of which are mechanisms on which we have relied for personal information transfers from Europe to the United States and other countries. Authorities in the U.K. may similarly invalidate use of the EU-U.S. Privacy Shield and raise questions on the viability of the SCCs as mechanisms for lawful personal information transfers to the United States and other countries. In November 2020, E.U. regulators proposed a new set of SCCs. The new SCCs impose additional obligations and requirements with respect to the transfer of E.U. personal data to other jurisdictions, which may increase the legal risks and liabilities under the GDPR and local E.U. laws associated with cross-border data transfers, and result in material increased compliance and operational costs. If we are unable to implement a valid solution for personal information transfers from Europe, we will face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal information from Europe, and we may be required to increase our data processing capabilities in Europe at significant expense. Inability to import personal information from Europe to the United States or other countries may decrease demand for our products and services as our customers that are subject to the GDPR may seek alternatives that do not involve personal information transfers out of Europe. Our inability to import personal information to the United States and other countries may decrease the functionality or effectiveness of our products and services and adversely impact our marketing efforts, plans and activities. We expect E.U. regulators to aggressively enforce E.U. laws prohibiting data transfers to the United States and other countries without a legally sound transfer mechanism, and it possible that E.U. regulators could prevent us from transferring any personal information out of the European Union to certain countries like the United States.

Furthermore, rules regarding the use of online cookies and similar online trackers in the European Union are becoming more stringent in terms of the advance consent companies must obtain from data subjects before such trackers can be placed on browsers. These developments may impact our analytics and advertising activities and our ability to analyze how users interact with our services.

In addition to the European Union, a growing number of other global jurisdictions are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our platform, particularly as we expand our operations internationally. Some of these laws, such as the General Data Protection Law in Brazil, or the Act on the Protection of Personal Information in Japan, impose similar obligations as those under the GDPR. Others, such as those in Russia, India, and China, would potentially impose more stringent obligations, including data localization requirements. If we are unable to develop and offer products that meet legal requirements or help our users and customers meet their obligations under the laws or regulations relating to privacy, data protection, or information security, or if we violate or are perceived to violate any laws, regulations, or other obligations relating to privacy, data protection, or information security, we may experience reduced demand for our platform, harm to our reputation, and become subject to investigations, claims, and other remedies, which would expose us to significant fines, penalties, and other damages, all of which would harm our business. Further, given the breadth and depth of changes in global data protection obligations, compliance has caused us to expend significant resources, and such expenditures are likely to continue into the future as we continue our compliance efforts and respond to new interpretations and enforcement actions.

Data protection legislation is also becoming increasingly common in the United States at both the federal and state level. For example, the California Consumer Privacy Act of 2018, or the CCPA, came into effect on January 1, 2020 and final CCPA regulations were issued in August 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use, and

sharing practices, allows consumers to opt out of certain data sharing with third parties and exercise certain individual rights regarding their personal information, provides a new cause of action for data breaches, and provides for penalties for noncompliance of up to \$7,500 per violation. While we have implemented a CCPA compliance program that we continue to evaluate and improve upon, we still do not know how the California Attorney General will interpret or enforce many aspects of the CCPA. Additionally, the California Privacy Rights Act (“CPRA”) was approved by voters in California in November 2020, and beginning in January 2023 will impose additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It will also create a new California data protection agency to enforce the law, which would likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. Aspects of the CCPA and CPRA and their interpretation and enforcement remain uncertain. The potential effects of the CCPA and CRPA are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Similar laws have been proposed in other states and at the federal level, and if passed, such laws may have potentially conflicting requirements that would make compliance challenging.

Furthermore, the Federal Trade Commission and many state attorneys general continue to enforce federal and state consumer protection laws against companies for online collection, use, dissemination, and security practices that appear to be unfair or deceptive. There are a number of legislative proposals in the United States, at both the federal and state level, and in the European Union and more globally, that could impose new obligations in areas such as e-commerce and other related legislation or liability for copyright infringement by third parties. We cannot yet determine the impact that future laws, regulations, and standards may have on our business.

We are subject to anti-corruption, anti-bribery, and similar laws, and our failure to comply with these laws could subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-corruption, anti-bribery, and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the private sector. As we increase our international sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage, and other consequences. Any investigations, actions, or sanctions could harm our business, results of operations, and financial condition.

We are subject to various export, import, and trade and economic sanction laws and regulations controls that could impair our ability to compete in international markets and subject us to liability for noncompliance.

Our business activities are subject to various export, import, and trade and economic sanction laws and regulations, including, among others, the U.S. Export Administration Regulations, administered by the Department of Commerce’s Bureau of Industry and Security, or BIS, and economic and trade sanctions regulations maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control, or OFAC, which we refer to collectively as Trade Controls. Trade Controls may prohibit or restrict the sale or supply of certain products, including encryption items and other technology, and services to certain governments, persons, entities, countries, and territories, including those that are the target of comprehensive sanctions. We incorporate encryption technology into our platform, which may subject its export outside of the United States to various export authorization requirements, including licensing, compliance with license exceptions, or other appropriate government authorization, including the filing of an encryption classification request or self-classification report with the U.S. Commerce Department. In addition, various other countries regulate the import and export of certain encryption and other technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our platform or could limit the ability of organizations to use our platform in those countries.

While we have implemented controls designed to promote and achieve compliance with applicable Trade Controls, in the past we may have inadvertently provided certain services to some customers in apparent violation of U.S. sanctions laws and exported software and source code prior to submitting required filings and obtaining authorization from BIS regarding exports of our software. As a result, we submitted voluntary self-disclosures concerning these activities to OFAC and BIS. On June 29, 2020, BIS determined not to pursue a civil monetary penalty against us and issued a warning letter to resolve our voluntary self-disclosure regarding past apparent inadvertent violations of the U.S. Export Administration Regulations. On February 25, 2021, OFAC determined not to pursue a civil monetary penalty against us or take other enforcement action and issued a cautionary letter to resolve our voluntary self-disclosure regarding past apparent inadvertent violations of the Iranian Transactions and Sanctions Regulations, the Syrian Sanctions Regulations, the Cuban Assets Control Regulations, and the Sudanese Sanctions Regulations. While the letters from BIS and OFAC represent final enforcement responses in each case, they do not preclude either BIS or OFAC from taking future enforcement actions under their respective authorities.

Although we seek to conduct our business in full compliance with Trade Controls, we cannot guarantee that these controls will be fully effective. Violations of Trade Controls may subject our company, including responsible personnel, to various adverse consequences, including civil or criminal penalties, government investigations, and loss of export privileges. Further, obtaining the necessary authorizations, including any required licenses, for particular transactions or uses of our platform may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. In addition, if our reseller partners fail to obtain any required import, export, or re-export licenses or permits, this could result in a violation of law by us, and we may also suffer reputational harm and other negative consequences, including government investigations and penalties.

Finally, changes in our platform or future changes in Trade Controls could result in our inability to provide our platform to certain customers or decreased use of our platform by existing or potential customers with international operations. Any decreased use of our platform or mobile application or increased limitations on our ability to export or sell our platform and mobile application would adversely affect our business, results of operations, and financial condition.

Sales to customers outside the United States and our international operations expose us to risks inherent in international sales and operations.

For the fiscal year ended January 31, 2021, 42% of our revenues were generated from customers outside the United States. We have operations in Dublin, London, Munich, Paris, Reykjavik, Singapore, Sydney, Tokyo, and Vancouver, in addition to New York and San Francisco. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those in the United States. In addition, we will face risks in doing business internationally that could adversely affect our business and results of operations, including:

- the need to localize and adapt our platform for specific countries, including translation into foreign languages and associated expenses;
- data privacy laws that impose different and potentially conflicting obligations with respect to how personal data is processed or require that customer data be stored in a designated territory;
- difficulties in staffing and managing foreign operations;
- regulatory and other delays and difficulties in setting up foreign operations;
- different pricing environments, longer sales cycles, longer accounts receivable payment cycles, and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;

- compliance challenges related to the complexity of multiple, conflicting, and changing governmental laws and regulations, including employment, tax, privacy, and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- declines in the values of foreign currencies relative to the U.S. dollar;
- restrictions on the transfer of funds;
- potentially adverse tax consequences;
- the cost of and potential outcomes of any claims or litigation;
- future accounting pronouncements and changes in accounting policies;
- changes in tax laws or tax regulations;
- health or similar issues, such as a pandemic or epidemic; and
- regional and local economic and political conditions.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these risks. These factors and others could harm our ability to increase international revenues and, consequently, would materially impact our business and results of operations. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business.

If we experience excessive fraudulent activity, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.

A large portion of our customers authorize us to bill their credit card accounts through our third-party payment processing partners for our paid subscription plans. If customers pay for their subscription plans with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which we refer to as chargebacks, from the credit card companies for claims that the customer did not authorize the credit card transaction for subscription plans, something that we have experienced in the past. 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. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time. Our third-party payment processing partners must also maintain compliance with current and future merchant standards to accept credit cards as payment for our paid subscription plans. Substantial losses due to fraud or our inability to accept credit card payments would cause our customer base to significantly decrease and would harm our business.

We may engage in merger and acquisition activities, which would require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our business, results of operations, and financial condition.

As part of our business strategy to expand our platform and grow our business in response to changing technologies, customer demand, and competitive pressures, we may in the future make investments or acquisitions in other companies, products, or technologies. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve the goals of such acquisition, and any acquisitions we complete could be viewed negatively by customers or investors. We may encounter difficult or unforeseen expenditures in integrating an acquisition, particularly if we cannot retain the key

personnel of the acquired company. Existing and potential customers may also delay or reduce their use of our platform due to a concern that the acquisition may decrease effectiveness of our platform (including any newly acquired product). In addition, if we fail to successfully integrate such acquisitions, or the assets, technologies, or personnel associated with such acquisitions, into our company, the business and results of operations of the combined company would be adversely affected.

Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses, subject us to increased regulatory requirements, cause adverse tax consequences or unfavorable accounting treatment, expose us to claims and disputes by stockholders and third parties, and adversely impact our business, financial condition, and results of operations. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash for any such acquisition which would limit other potential uses for our cash. If we incur debt to fund any such acquisition, such debt may subject us to material restrictions in our ability to conduct our business, result in increased fixed obligations, and subject us to covenants or other restrictions that would decrease our operational flexibility and impede our ability to manage our operations. If we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders' ownership would be diluted.

We may need additional capital, and we cannot be sure that additional financing will be available.

Historically, we have financed our operations and capital expenditures primarily through sales of our capital stock and debt securities that are convertible into our capital stock. In the future, we may raise additional capital through additional debt or equity financings to support our business growth, to respond to business opportunities, challenges, or unforeseen circumstances, or for other reasons. On an ongoing basis, we are evaluating sources of financing and may raise additional capital in the future. Our ability to obtain additional capital will depend on our development efforts, business plans, investor demand, operating performance, the condition of the capital markets, and other factors. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of existing stockholders, and existing stockholders may experience dilution. Further, if we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, or unforeseen circumstances would be adversely affected.

Our operating activities may be restricted as a result of covenants related to the indebtedness under our loan and security agreement, and we may be required to repay the outstanding indebtedness in an event of default, which would have an adverse effect on our business.

In April 2020, we entered into a five-year loan and security agreement with Silicon Valley Bank. The agreement provides for a senior secured term loan facility, in an aggregate principal amount of up to \$40.0 million, to be used for the construction of our new corporate headquarters. The loan and security agreement subjects us to various customary covenants, including requirements as to financial reporting and insurance and restrictions on our ability to dispose of our business or property, to change our line of business, to liquidate or dissolve, to enter into any change in control transaction, to merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, to incur additional indebtedness, to incur liens on our property, to pay any dividends or other distributions on capital stock other than dividends payable solely in capital stock, to redeem capital stock, to engage in transactions with affiliates, and to encumber our intellectual property. In addition, the loan and security agreement contains customary affirmative and negative covenants, including maintaining certain liquidity thresholds, and restrictions and limitations on our ability to incur additional indebtedness, dispose of assets, engage in certain merger or acquisition transactions, pay dividends or make distributions, and certain other restrictions on our activities. Our business may be adversely affected by these restrictions on our ability to operate our business.

Additionally, we may be required to repay the outstanding indebtedness under the loan facility if an event of default occurs under the loan and security agreement. Under the loan and security agreement, an event of default will occur if, among other things, we fail to make payments under the loan and security agreement; we breach

certain of our covenants under the loan and security agreement, subject to specified cure periods with respect to certain breaches; we or our assets become subject to certain legal proceedings, such as bankruptcy proceedings; we are unable to pay our debts as they become due; or we default on contracts with third parties which would permit Silicon Valley Bank to accelerate the maturity of such indebtedness or that could have a material adverse change on us. We may not have enough available cash or be able to raise additional funds through equity or debt financings to repay such indebtedness at the time any such event of default occurs. Silicon Valley Bank could also exercise its rights as collateral agent to take possession of, and to dispose of, the collateral securing the term loans, which collateral includes substantially all of our property (excluding intellectual property, which is subject to a negative pledge). Our business, financial condition, and results of operations could be materially adversely affected as a result of any of these events.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the Securities and Exchange Commission, or the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

A failure to establish and maintain an effective system of disclosure controls and internal control over financial reporting, could adversely affect our ability to produce timely and accurate financial statements or comply with applicable regulations.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. For example, as we have prepared to become a public company, we have worked to improve the controls around our key accounting processes and our quarterly close process, and we have hired additional accounting and finance personnel to help us implement these processes and controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and investments to strengthen our accounting systems. If any of these new or improved controls and systems do not perform as expected, we may experience material weaknesses in our controls. In addition to our results determined in accordance with GAAP, we believe certain non-GAAP measures may be useful in evaluating our operating performance. We present certain non-GAAP financial measures in this report and intend to continue to present certain non-GAAP financial measures in future filings with the SEC and other public statements. Any failure to accurately report and present our non-GAAP financial measures could cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and

other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. We will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our next annual report on Form 10-K.

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

Changes in tax laws or regulations could be enacted or existing tax laws or regulations could be applied to us or our customers in a manner that could increase the costs of our platform and harm our business.

Income, sales, use, or other tax laws, statutes, rules, regulations, or ordinances could be enacted or amended at any time (possibly with retroactive effect), and could be applied solely or disproportionately to products and services provided over the internet. These enactments or amendments could reduce our sales activity due to the inherent cost increase the taxes would represent and ultimately harm our results of operations and cash flows.

The application of U.S. federal, state, local, and international tax laws to services provided electronically is unclear and continuously evolving. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest for past amounts. If we are unsuccessful in collecting such taxes due from our customers, we would be held liable for such costs, thereby adversely affecting our results of operations and harming our business.

We may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. Although we have not been required to pay income taxes, other than in immaterial amounts in certain foreign jurisdictions to date, the amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws, or revised interpretations of existing tax laws and precedents, which could harm our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest, and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which would harm us and our results of operations.

Our business, results of operations, and financial condition may be harmed if we are required to collect sales, value added, or other related taxes for subscriptions to our platform in jurisdictions where we have not historically done so.

We collect sales tax in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, value added, or other tax collection obligations on us. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, value added, or other taxes could, among other things, result in substantial tax payments, create significant administrative burdens for us, discourage potential customers from subscribing to our platform due to the incremental cost of any such sales, value added, or other related taxes, or otherwise harm our business, results of operations, and financial condition.

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

We do not expect to become profitable in the near future, may never achieve profitability, and have incurred substantial net operating losses, or NOLs, during our history. In general, under Sections 382 and 383 of the Internal

Revenue Code of 1986, as amended, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs or tax credits to offset future taxable income or taxes. For these purposes, an ownership change generally occurs where the aggregate change in stock ownership by one or more stockholders or groups of stockholders owning at least 5% of a corporation’s stock exceeds more than 50 percentage points over a three-year period. We have experienced ownership changes since inception and our utilization of net operating loss carryforwards will be subject to annual limitations. However, it is not expected that the annual limitations will result in the expiration of tax attribute carryforwards prior to utilization. We may experience additional ownership changes in connection with subsequent shifts in our stock ownership (some of which shifts are outside our control). As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes.

We may face exposure to foreign currency exchange rate fluctuations.

While we have historically transacted in U.S. dollars with the majority of our customers and vendors, we have transacted in some foreign currencies with such parties and for our payroll in those foreign jurisdictions where we have operations, and expect to continue to transact in more foreign currencies in the future. Accordingly, declines in the value of foreign currencies relative to the U.S. dollar can adversely affect our revenues and results of operations due to transactional and translational remeasurement that is reflected in our earnings. Also, fluctuations in the values of foreign currencies relative to the U.S. dollar could make it more difficult to detect underlying trends in our business and results of operations.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenues and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to the useful lives and carrying values of long-lived assets, the fair value of the convertible note, the fair value of common stock, stock-based compensation expense, the period of benefit for deferred contract acquisition costs, and income taxes. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could harm our business. In particular, the ongoing COVID-19 pandemic, including the reactions of governments, markets, and the general public, may result in a number of adverse consequences for our business, operations, and results of operations, many of which are beyond our control. We have our headquarters and a large employee presence in San Francisco, California, and the west coast of the United States contains active earthquake zones. In the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our platform development, lengthy interruptions in our platform, breaches of data security, and loss of critical data, all of which would harm our business, results of operations, and financial condition. Acts of terrorism would also cause disruptions to the internet or the economy as a whole. In addition, the insurance we maintain would likely not be adequate to cover our losses resulting from disasters or other business interruptions. Our disaster recovery plan may not be sufficient to address all aspects or any unanticipated consequence or incident, and our insurance may not be sufficient to compensate us for the losses that could occur.

We are an emerging growth company under the JOBS Act, and we are permitted to rely on exemptions from certain disclosure requirements. We cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an “emerging growth company” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, which could be as long as five years following the completion of our listing on the NYSE, we may choose to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404, reduced PCAOB reporting requirements, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved, and extended transition periods for complying with new or revised accounting standards. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and the trading price of our Class A common stock may be more volatile.

Risks Related To Ownership of Our Class A Common Stock

The trading price of our Class A common stock may be volatile and could decline significantly and rapidly.

The trading price of our Class A common stock on the NYSE could be subject to wide fluctuations in response to numerous factors in addition to the ones described in the preceding Risk Factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- overall performance of the equity markets and the economy as a whole;
- changes in the financial projections we may provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- changes in pricing of subscription plans to our platform;
- actual or anticipated changes in our growth rate relative to that of our competitors;
- changes in the anticipated future size or growth rate of our addressable markets;
- announcements of new products, or of acquisitions, strategic partnerships, joint ventures, or capital-raising activities or commitments, by us or by our competitors;
- additions or departures of board members, management, or key personnel;
- rumors and market speculation involving us or other companies in our industry;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business, including those related to data privacy and cyber security in the United States or globally;
- lawsuits threatened or filed against us;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events;
- health epidemics, such as the COVID-19 pandemic, influenza, and other highly communicable diseases or viruses; and

- sales or expectations with respect to sales of shares of our Class A common stock by us or our security holders, particularly sales by our founders, directors, executive officers, and principal stockholders, none of whom are subject to any contractual lock-up agreement or other contractual restrictions on transfer.

In addition, stock markets with respect to newly public companies, particularly companies in the technology industry, have experienced significant price and volume fluctuations that have affected and continue to affect the stock prices of these companies. Stock prices of many companies, including technology companies, have fluctuated in a manner often unrelated to the operating performance of those companies. In the past, companies that have experienced volatility in the trading price for their stock have been subject to securities class action litigation. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business, results of operations, and financial condition.

Our largest stockholder will have the ability to influence the outcome of director elections and other matters requiring stockholder approval.

Dustin Moskovitz, our co-founder, President, Chief Executive Officer, Chair, and largest stockholder, beneficially owns a significant percentage of our outstanding Class A common stock and Class B common stock, together, representing a majority of the voting power of our capital stock as of January 31, 2021. Mr. Moskovitz could exert substantial influence over matters requiring approval by our stockholders. This concentration of ownership may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders. Additionally, if our two 3.5% senior mandatory convertible promissory notes due 2025 convert into Class B common stock on or before the maturity dates, the voting power held by Mr. Moskovitz will further increase.

The dual class structure of our common stock has the effect of concentrating voting control with our founders, directors, executive officers, and their respective affiliates. This ownership will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Our Class B common stock has 10 votes per share, and our Class A common stock, which is the stock listed on the NYSE has one vote per share. Our founders, directors, executive officers, and their affiliates hold a majority of the voting power of our capital stock. Because of the 10-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively could continue to control a significant percentage of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the date of automatic conversion described below, when all outstanding shares of Class B common stock and Class A common stock will convert automatically into shares of a single class of common stock. This concentrated control may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon the date that is the earlier of (i) the date that is specified by the affirmative vote of the holders of two-thirds of the then-outstanding shares of Class B common stock, (ii) one year after the death or permanent disability of Mr. Moskovitz, or (iii) the later of the date that is (x) September 21, 2030 and (y) the date that Mr. Moskovitz no longer serves as our Chief Executive Officer or as a member of our board of directors. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those

holders of Class B common stock who retain their shares over the long term. As a result, it is possible that, in addition to Mr. Moskovitz, one or more of the persons or entities holding our Class B common stock could gain significant voting control as other holders of Class B common stock sell or otherwise convert their shares into Class A common stock.

We cannot predict the effect our dual class structure may have on the trading price of our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile trading price of our Class A common stock on the NYSE, in adverse publicity, or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it plans to require new constituents of its indices to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it will no longer admit companies with multiple-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Also in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under such announced policies, the dual class structure of our common stock would make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices would not invest in our Class A common stock. These policies are relatively new and it is unclear what effect, if any, they will have on the valuations of publicly-traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. Because of the dual class structure of our common stock, we will likely be excluded from certain indices, and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and would make our Class A common stock less attractive to other investors. As a result, the trading price of our Class A common stock could be adversely affected.

None of our stockholders are party to any contractual lock-up agreement or other contractual restrictions on transfer. Sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, could cause the trading price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our founders, directors, executive officers, and principal stockholders, or the perception that these sales might occur in large quantities, could cause the trading price of our Class A common stock to decline.

None of our securityholders are subject to any contractual lock-up or other restriction on the transfer or sale of their shares.

In addition, certain of our securityholders have rights, subject to some conditions, to require us to file registration statements for the public resale of the Class A common stock or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the trading price of our Class A common stock to decline or be volatile.

We may also issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments, or otherwise. Any such issuance could result in significant dilution to our existing stockholders and cause the trading price of our Class A common stock to decline.

Our business and financial performance may differ from any projections that we disclose or any information that may be attributed to us by third parties.

From time to time, we may provide guidance via public disclosures regarding our projected business or financial performance. However, any such projections involve risks, assumptions, and uncertainties, and our actual results could differ materially from such projections. Factors that could cause or contribute to such differences

include, but are not limited to, those identified in these Risk Factors, some or all of which are not predictable or within our control. Other unknown or unpredictable factors also could adversely impact our performance, and we undertake no obligation to update or revise any projections, whether as a result of new information, future events, or otherwise. In addition, various news sources, bloggers, and other publishers often make statements regarding our historical or projected business or financial performance, and you should not rely on any such information even if it is attributed directly or indirectly to us.

Our trading price and trading volume could decline if securities or industry analysts do not publish research about our business, or if they publish unfavorable research.

We cannot assure you that any equity research analysts will adequately provide research coverage about our company and of our Class A common stock. A lack of adequate research coverage may harm the liquidity and trading price of our Class A common stock. To the extent equity research analysts do provide research coverage of our company and our Class A common stock, we will not have any control over the content and opinions included in their reports. The trading price of our Class A common stock could decline if one or more of the analysts who downgrade our stock or publish inaccurate or unfavorable commentary or research. If one or more of these analysts cease coverage of our company, or fail to regularly publish reports on us, the demand for our Class A common stock could decrease, which in turn could cause our trading price or trading volume to decline.

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

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of the NYSE, and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. Furthermore, several members of our management team do not have prior experience in running a public company. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. Being a public company that is subject to these new rules and regulations has made and will continue to make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly members who can serve on our audit committee and compensation committee, and qualified executive officers. As a result of the disclosure obligations required of a public company, our business and financial condition will become more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, results of operations, and financial condition would be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, would divert the resources of our management and harm our business, results of operations, and financial condition.

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

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors. In addition, our senior secured term loan facility contains restrictions on our ability to pay dividends. Accordingly, investors must rely on sales of their Class A common stock as the only way to realize any future gains, if any, on their investments.

Additional stock issuances could result in significant dilution to our stockholders.

We may issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments, or otherwise. Additional issuances of our stock will result in dilution to existing holders of our stock. Also, the exercise of stock options to purchase our stock and the settlement of RSUs will result in further dilution. The amount of dilution could be substantial depending upon the size of the issuance or exercise. Additionally, in January and June 2020, we issued and sold to the Dustin Moskovitz Trust, an affiliated trust of Mr. Moskovitz, two 3.5% senior mandatory convertible promissory notes due 2025 for an aggregate principal amount of \$450.0 million, that, if converted prior to their maturity, will convert into a number of shares of our Class B common stock between an aggregate of 17,012,822 and 27,220,504 shares. Any such issuances could result in substantial dilution to our existing stockholders and cause the trading price of our Class A common stock to decline.

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

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

- a classified board of directors so that not all members of our board of directors are elected at one time;
- the ability of our board of directors to determine the number of directors and to fill any vacancies and newly created directorships;
- a requirement that our directors may only be removed for cause;
- a prohibition on cumulative voting for directors;
- the requirement of a super-majority to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorization of the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide for a dual class common stock structure in which holders of our Class B common stock, which has 10 votes per share, have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class B and Class A common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- an inability of our stockholders to call special meetings of stockholders; and
- a prohibition on stockholder actions by written consent, thereby requiring that all stockholder actions be taken at a meeting of our stockholders.

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

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

Our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: any derivative action or proceeding brought on our behalf, any action asserting a breach of a fiduciary duty, any action asserting a claim against us or our stockholders arising pursuant to the Delaware General Corporation Law, our certificate of incorporation, or our bylaws, any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or bylaws, any action as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware, or any action asserting a claim governed by the internal affairs doctrine. The provisions would not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our restated certificate of incorporation provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

These choice of 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. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in San Francisco, California, where we lease approximately 88,000 square feet of office space pursuant to a lease that is set to expire in October 2021. In February 2019, we entered into a lease agreement, pursuant to which we lease office space located in San Francisco, California consisting of 265,890 square feet for an initial term of 160 months which commenced in May 2020. This office building will house our new corporate headquarters, which we expect to begin occupying in the second quarter of fiscal 2022.

In addition, we maintain additional offices in the United States and internationally, including in Dublin, London, Munich, New York, Reykjavik, Singapore, Sydney, Tokyo, and Vancouver.

We intend to procure additional space in the future as we continue to add employees and expand geographically. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

Item 3. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Security

Market Information for Our Class A Common Stock

Our Class A common stock has been listed on the NYSE under the symbol “ASAN” since September 30, 2020. Prior to that date, there was no public trading market for our Class A common stock.

Holders of Record

As of March 15, 2021, we had 96 holders of record of our Class A common stock and 17 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held in street name by brokers and other nominees on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these holders of record.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

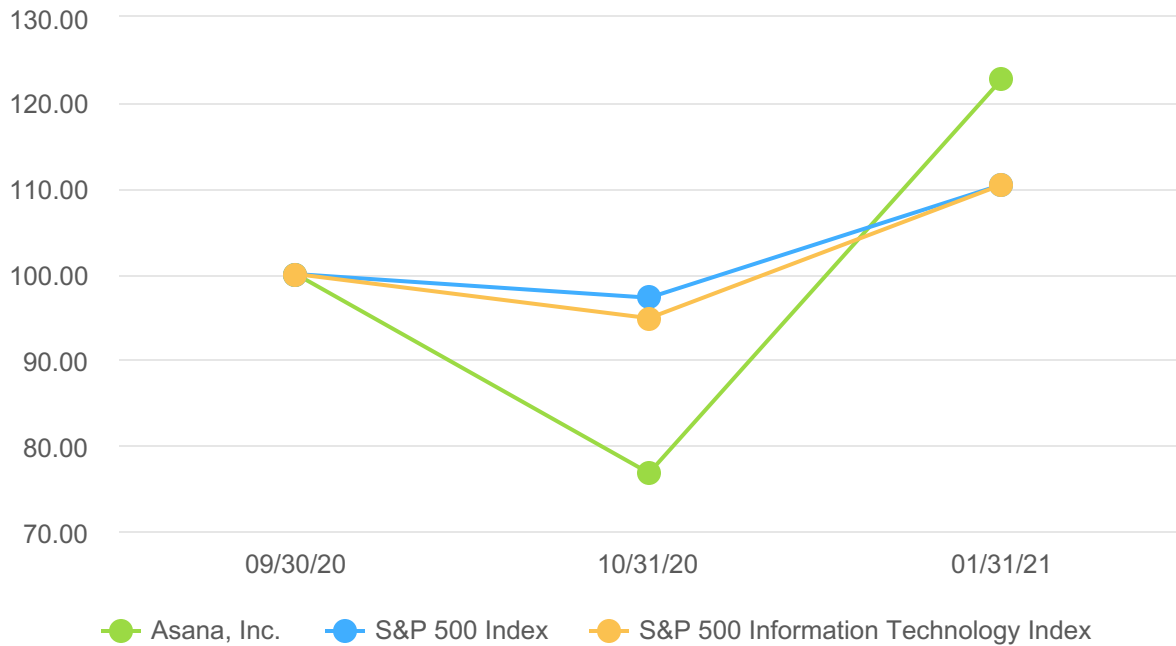
See the section titled “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” for information regarding securities authorized for issuance.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC, for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act.

The following graph compares (i) the cumulative total stockholder return on our Class A common stock from September 30, 2020 (the date our Class A common stock commenced trading on the NYSE) through January 31, 2021 with (ii) the cumulative total return of the Standard & Poor's (S&P) 500 Index and the Standard & Poor's Information Technology Index over the same period, assuming the investment of \$100 in our Class A common stock and in both of the other indices on September 30, 2020 and the reinvestment of dividends. The graph uses the closing market price on September 30, 2020 of \$28.80 per share as the initial value of our Class A common stock. As discussed above, we have never declared or paid a cash dividend on our Class A common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future.

Stock Performance Graph



Unregistered Sales of Equity Securities

From February 1, 2020 through September 22, 2020 (the date of the filing of our registration statement on Form S-8, File No. 333-248955), we issued to certain directors, officers, employees, consultants, and other service providers options for an aggregate of 16,713 shares of our Class A common stock under our equity compensation plans at an exercise price of \$13.04 per share.

From February 1, 2020 through September 22, 2020 (the date of the filing of our registration statement on Form S-8, File No. 333-248955), we issued and sold to certain directors, officers, employees, consultants, and other service providers an aggregate of 4,304,888 shares of our Class A common stock upon exercise of options granted under our equity compensation plans, with purchase prices ranging from \$0.14 to \$13.04, for an aggregate purchase price of \$8,392,913.

From February 1, 2020 through September 22, 2020 (the date of the filing of our registration statement on Form S-8, File No. 333-248955), we issued to certain directors, officers, employees, consultants, and other service providers RSUs for an aggregate of 5,637,148 shares of our Class A common stock under our equity compensation plans.

From February 1, 2020 through September 22, 2020 (the date of the filing of our registration statement on Form S-8, File No. 333-248955), we issued 41,390 shares of our Class A common stock to certain directors, officers, employees, consultants, and other service providers upon settlement of RSUs granted under our equity compensation plans.

In June 2020, we issued a 3.5% senior mandatory convertible promissory note due June 26, 2025 in the principal amount of \$150.0 million to the Dustin Moskovitz Trust.

The foregoing transactions did not involve any underwriters, any underwriting discounts or commissions, or any public offering. We believe the offers, sales, and issuances of the above securities were exempt from registration under the Securities Act (or Regulation D or Regulation S promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act, because the issuance of securities to the recipient did not involve a public offering, or in reliance

on Rule 701 because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. All recipients had adequate access, through their relationships with us or otherwise, to information about us. The issuances of these securities were made without any general solicitation or advertising.

Issuer Purchase of Equity Securities

The following table contains information relating to the repurchases of our common stock made by us in the three months ended January 31, 2021.

Period	Total Number of Shares Purchased ¹	Average Price Paid per Share
November 1 - November 30, 2020	625	\$ 3.70
December 1 - December 31, 2020	14,624	\$ 1.78
January 1 - January 31, 2021	770	\$ 3.70
Total	16,019	\$ 1.95

¹ Represents shares of unvested Class A common stock that were repurchased by us from former employees upon termination of employment in accordance with the terms of the employees' stock option agreements. We purchased the shares from the former employees at the respective original exercise prices.

Item 6. Selected Financial Data

The selected financial data previously required by Item 301 of Regulation S-K has been omitted in reliance on SEC Release No. 33-10890.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled “Selected Consolidated Financial Data” and the consolidated financial statements and related notes included elsewhere in this report. As described in the section titled “Special Note Regarding Forward-Looking Statements,” this discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” included above in this report. Our fiscal year ends on January 31.

Overview

Asana is a work management platform that helps teams orchestrate work, from daily tasks to cross-functional strategic initiatives. Over 93,000 paying customers use Asana to manage everything from product launches to marketing campaigns to organization-wide goal setting. Our platform adds structure to unstructured work, creating clarity, transparency, and accountability to everyone within an organization—individuals, team leads, and executives—so they understand exactly who is doing what, by when.

Asana is flexible and applicable to virtually any use case across departments and organizations of all sizes. We designed our platform to be easy to use and intuitive to all users, regardless of role or technical proficiency. Users can start a project within minutes and onboard team members seamlessly without outside support. We allow users to work the way they want with the interface that is right for them, using tasks, lists, calendars, boards, timelines, and Workload.

We have experienced rapid growth in recent periods. Our revenues were \$227.0 million, \$142.6 million, and \$76.8 million for fiscal 2021, fiscal 2020, and fiscal 2019, respectively, representing growth of 59% and 86% for fiscal 2021 and fiscal 2020, respectively. As of January 31, 2021, we had 1,080 employees, representing growth of 54% since January 31, 2020. We had a net loss of \$211.7 million, \$118.6 million, and \$50.9 million for fiscal 2021, fiscal 2020, and fiscal 2019, respectively.

Key Business Metrics

We believe that our growth and financial performance are dependent upon many factors, including the key factors described below.

Paying Customers

We are focused on continuing to grow the number of customers that use our platform. Our operating results and growth opportunity depend, in part, on our ability to attract new customers. We believe we have significant greenfield opportunities among addressable customers worldwide and we will continue to invest in our research and development and our sales and marketing organizations to address this opportunity.

As of January 31, 2021, we had over 93,000 paying customers, compared to over 75,000 as of January 31, 2020. We define a customer as a distinct account, which could include a team, company, educational or government institution, organization, or distinct business unit of a company, that is on a paid subscription plan, a free version, or a free trial of one of our paid subscription plans. A single organization may have multiple customers. We define a paying customer as a customer on a paid subscription plan. No single customer accounts for more than 1% of our revenues, and our top 100 customers accounted for approximately 11% and 9% of our revenues for the fiscal years ended January 31, 2021 and 2020, respectively.

Customers Spending Over \$5,000 and \$50,000

We focus on growing the number of customers spending over \$5,000 and \$50,000 on an annualized basis as a measure of our ability to scale within organizations. We define customers spending over \$5,000 and \$50,000 as those organizations on a paid subscription plan that contributed to \$5,000 or more or \$50,000 or more in annualized

GAAP revenues in a given quarter, respectively, inclusive of discounts. As customers realize the productivity benefits we provide, our platform often becomes critical to managing their work and achieving their objectives, which drives further adoption and expansion opportunities, and results in higher annualized contract values. We believe that our ability to increase the number of these customers is an important indicator of the components of our business, including: the continued acquisition of new customers, retaining and expanding our user base within existing customers, our continued investment in product development and functionality required by larger organizations, and the growth of our direct sales force.

As of January 31, 2021, we had 10,174 customers spending over \$5,000 on an annualized basis contributing approximately 58% of revenues for the fiscal year then ended. As of January 31, 2020, we had 6,555 customers spending over \$5,000 on an annualized basis contributing approximately 50% of revenue for the fiscal year then ended.

As of January 31, 2021 and 2020, we had 397 and 207 customers, respectively, spending over \$50,000 on an annualized basis.

Dollar-based Net Retention Rate

We expect to derive a significant portion of our revenue growth from expansion within our customer base, where we have an opportunity to expand adoption of Asana across teams, departments, and organizations. We believe that our dollar-based net retention rate demonstrates our opportunity to further expand within our customer base, particularly those that generate higher levels of annual revenues.

Our reported dollar-based net retention rate equals the simple arithmetic average of our quarterly dollar-based net retention rate for the four quarters ending with the most recent fiscal quarter. We calculate our dollar-based net retention rate by comparing our revenues from the same set of customers in a given quarter, relative to the comparable prior-year period. To calculate our dollar-based net retention rate for a given quarter, we start with the revenues in that quarter from customers that generated revenues in the same quarter of the prior year. We then divide that amount by the revenues attributable to that same group of customers in the prior-year quarter. Current period revenues include any upsells and are net of contraction or attrition over the trailing 12 months, but exclude revenues from new customers in the current period. We expect our dollar-based net retention rate to fluctuate in future periods due to a number of factors, including the expected growth of our revenue base, the level of penetration within our customer base, and our ability to retain our customers.

As of January 31, 2021 and 2020, our dollar-based net retention rate was over 115% and over 120%, respectively. Our dollar-based net retention rate has declined year over year as a result of the COVID-19 pandemic, which had a disproportionate impact on smaller businesses and industries that were particularly affected by the pandemic.

As of January 31, 2021 and 2020, our dollar-based net retention rate for customers spending over \$5,000 with us on an annualized basis was 125% and over 125%, respectively. Our dollar-based net retention rate for customers spending over \$50,000 with us on an annualized basis for the same periods was over 140%.

Impact of COVID-19

As a result of the COVID-19 pandemic, we temporarily closed our headquarters and other physical offices, required our employees and contractors to work remotely, and implemented travel restrictions, all of which represent a significant disruption in how we operate our business. The operations of our partners and customers have likewise been disrupted, with a disproportionate impact on smaller businesses that were particularly affected by the pandemic. This impact is most evident in the decline of our overall dollar-based net retention rate for the year ended January 31, 2021 over the same period last year, while our dollar-based net retention rates remained steady for customers who spent over \$50,000. While the duration and extent of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions and the development of a vaccine, it has already had an adverse effect on the global economy and the ultimate societal and economic impact of the COVID-19 pandemic remains unknown. In particular, the conditions caused by this pandemic could affect the rate of global IT spending and could adversely affect demand for our

platform, lengthen our sales cycles, reduce the value or duration of subscriptions, negatively impact collections of accounts receivable, reduce expected spending from new customers, cause some of our paying customers to go out of business, limit the ability of our direct sales force to travel to customers and potential customers, and affect contraction or attrition rates of our customers, all of which could adversely affect our business, results of operations, and financial condition during future periods.

Non-GAAP Financial Measures

The following tables present certain non-GAAP financial measures for each period presented below. In addition to our results determined in accordance with GAAP, we believe these non-GAAP financial measures are useful in evaluating our operating performance. See below for a description of the non-GAAP financial measures and their limitations as an analytical tool.

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Non-GAAP loss from operations.....	\$ (123,184)	\$ (69,333)	\$ (43,466)
Non-GAAP net loss.....	\$ (123,289)	\$ (68,213)	\$ (42,381)
Free cash flow.....	\$ (75,958)	\$ (44,605)	\$ (33,587)

Non-GAAP Loss From Operations and Non-GAAP Net Loss

We define non-GAAP loss from operations as loss from operations plus stock-based compensation expense and the related employer payroll tax associated with RSUs as well as non-recurring costs, such as direct listing expenses. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and that do not correlate to the operation of the 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 rather than the accounting charges associated with such grants). 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 to those of peer companies and over multiple periods.

We define non-GAAP net loss as net loss plus stock-based compensation expense and the related employer payroll tax associated with RSUs, amortization of discount and non-cash contractual interest expense related to our senior mandatory convertible promissory note, and non-recurring costs such as direct listing expenses.

We use non-GAAP loss from operations and non-GAAP net loss in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP loss from operations and non-GAAP net loss provide our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations.

Free Cash Flow

We define free cash flow as net cash used in operating activities less cash used for purchases of property and equipment and capitalized internal-use software costs, plus non-recurring expenditures such as capital expenditures from the purchases of property and equipment associated with the build-out of our corporate headquarters in San Francisco, and direct listing expenses. We believe that free cash flow is a useful indicator of liquidity that provides information to management and investors, even if negative, about the amount of cash used in our operations other than that used for investments in property and equipment and capitalized internal-use software costs, adjusted for non-recurring expenditures.

Limitations and Reconciliations of Non-GAAP Financial Measures

Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for financial information presented under GAAP. There are a number of limitations related to the use

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

The following tables reconcile the most directly comparable GAAP financial measure to each of these non-GAAP financial measures.

Non-GAAP Loss From Operations

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Loss from operations	\$ (175,567)	\$ (119,631)	\$ (52,013)
Add:			
Stock-based compensation and related employer payroll tax associated with RSUs	34,431	48,386	8,547
Direct listing expenses	17,952	1,912	—
Non-GAAP loss from operations	<u>\$ (123,184)</u>	<u>\$ (69,333)</u>	<u>\$ (43,466)</u>

Non-GAAP Net Loss

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Net loss	\$ (211,710)	\$ (118,589)	\$ (50,928)
Add:			
Stock-based compensation and related employer payroll tax associated with RSUs	34,431	48,386	8,547
Amortization of discount on convertible notes	22,357	49	—
Interest expense on convertible notes	13,681	29	—
Direct listing expenses	17,952	1,912	—
Non-GAAP net loss	<u>\$ (123,289)</u>	<u>\$ (68,213)</u>	<u>\$ (42,381)</u>

Free Cash Flow

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Net cash provided by (used in) investing activities.....	\$ (158,937)	\$ 12,655	\$ (44,662)
Net cash provided by financing activities.....	\$ 201,005	\$ 311,597	\$ 55,293
Net cash used in operating activities.....	\$ (92,870)	\$ (40,136)	\$ (30,180)
Less:			
Purchases of property and equipment.....	(57,344)	(6,878)	(2,850)
Capitalized internal-use software.....	(962)	(384)	(557)
Add:			
Purchases of property and equipment for build-out of corporate headquarters.....	55,791	2,626	—
Direct listing expenses paid.....	19,427	167	—
Free cash flow.....	<u>\$ (75,958)</u>	<u>\$ (44,605)</u>	<u>\$ (33,587)</u>

Components of Results of Operations

Revenues

We generate subscription revenues from paying customers accessing our cloud-based platform. Subscription revenues are driven primarily by the number of paying customers, the number of paying users within the customer base, and the level of subscription plan. We recognize revenues ratably over the related contractual term beginning on the date that the platform is made available to a customer.

Due to the ease of implementation of our platform, revenues from professional services have been immaterial to date.

Cost of Revenues

Cost of revenues consists primarily of the cost of providing our platform to free users and paying customers and is comprised of third-party hosting fees, personnel-related expenses for our operations and support personnel, credit card processing fees, and amortization of our capitalized internal-use software costs.

As we acquire new customers and existing customers increase their use of our cloud-based platform, we expect that our cost of revenues will continue to increase in dollar amount.

Gross Profit and Gross Margin

Gross profit, or revenues less cost of revenues, and gross margin, or gross profit as a percentage of revenues, has been and will continue to be affected by various factors, including the timing of our acquisition of new customers, renewals of and follow-on sales to existing customers, costs associated with operating our cloud-based platform, and the extent to which we expand our operations and customer support organizations. We expect our gross profit to increase in dollar amount and our subscription gross margin to remain relatively consistent over the long term.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel-related expenses are the most significant component of operating expenses and consist of salaries, benefits, stock-based compensation expense, and, in the case of sales and marketing expenses, sales commissions. Operating expenses also include an allocation of overhead costs for facilities and shared IT-related expenses, including depreciation expense.

In the fiscal years ended January 31, 2020 and 2019, our personnel-related expenses have been significantly impacted by stock-based compensation expense associated with tender offers.

In April 2018, our board of directors approved a plan for a private trust whose sole trustee and grantor is our co-founder, President, Chief Executive Officer, or CEO, and Chair to purchase shares of our Class A and Class B common stock from certain current and former employees. A total of approximately 1.5 million shares were tendered in the offer. The tender offer closed in May 2018, at which time we recorded \$3.8 million in stock-based compensation expense related to the excess of the selling price per share paid to our employees and former employees over the fair value of each tendered share.

In October 2019, certain of our stockholders conducted a tender offer for shares of our outstanding Class A and Class B common stock and purchased an aggregate of 4,647,127 shares of our outstanding Class A and Class B common stock from certain other stockholders at a purchase price of \$15.82 per share, for an aggregate purchase price of \$73.5 million, resulting in stock-based compensation expense of \$38.7 million for the excess of the selling price per share over the fair value of the tendered shares.

Research and Development

Research and development expenses consist primarily of personnel-related expenses. These expenses also include product design costs, third-party services and consulting expenses, software subscriptions and expensed computer equipment used in research and development activities, and allocated overhead costs. A substantial portion of our research and development efforts are focused on enhancing our software architecture and adding new features and functionality to our platform. We anticipate continuing to invest in innovation and technology development, and as a result, we expect research and development expenses to continue to increase in dollar amount but to decrease as a percentage of revenues over time.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related expenses and expenses for performance marketing and lead generation, brand marketing, and sponsorship activities. These expenses also include allocated overhead costs and travel-related expenses. Sales commissions earned by our sales force that are considered incremental and recoverable costs of obtaining a subscription with a customer are deferred and amortized on a straight-line basis over the expected period of benefit of three years.

We continue to make investments in our sales and marketing organization, and we expect sales and marketing expenses to remain our largest operating expense in dollar amount. We expect our sales and marketing expenses to continue to increase in dollar amount but to decrease as a percentage of revenues over time, although the percentage may fluctuate from quarter to quarter depending on the extent and timing of our marketing initiatives.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses for our finance, human resources, information technology, and legal organizations. These expenses also include non-personnel costs, such as outside legal, accounting, and other professional fees, software subscriptions and expensed computer equipment, certain tax, license, and insurance-related expenses, and allocated overhead costs.

We have recognized and will continue to recognize certain expenses as part of our transition to a publicly traded company, consisting of professional fees and other expenses. In the quarters leading up to the listing of our Class A common stock on the NYSE, we incurred professional fees and expenses, and in the quarter of our listing we incurred fees paid to our financial advisors in addition to other professional fees and expenses related to such listing. We expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations of the NYSE and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. In addition, as a public company, we expect to continue to incur additional costs associated with accounting, compliance, insurance, and investor relations. As a result, we expect our general and administrative expenses to continue to increase in dollar amount for the foreseeable future but to generally decrease as a percentage of our revenues over the longer term, although the percentage may fluctuate from period to period depending on the timing and amount of our general and administrative expenses.

Interest Income and Other Income (Expense), Net and Interest Expense

Interest income and other income (expense), net consists of income earned on our marketable securities and foreign currency transaction gains and losses.

Interest expense consists of contractual interest expense and amortization of the debt discount on the senior mandatory convertible promissory notes we issued in January and June 2020 to a trust affiliated with our CEO, and interest expense from our term loan.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business. To date, we have not recorded any U.S. federal income tax expense, and our state and foreign income tax expenses have not been material. We have recorded deferred tax assets for which we provide a full valuation allowance, which primarily include net operating loss carryforwards and research and development tax

credit carryforwards. We expect to maintain this full valuation allowance for the foreseeable future as it is more likely than not the deferred tax assets will not be realized based on our history of losses.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our revenues for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Revenues.....	\$ 227,004	\$ 142,606	\$ 76,770
Cost of revenues ⁽¹⁾	28,741	19,881	13,832
Gross profit.....	198,263	122,725	62,938
Operating expenses:			
Research and development ⁽¹⁾	121,139	89,675	42,585
Sales and marketing ⁽¹⁾	176,479	105,836	52,106
General and administrative ⁽¹⁾	76,212	46,845	20,260
Total operating expenses.....	373,830	242,356	114,951
Loss from operations.....	(175,567)	(119,631)	(52,013)
Interest income and other income (expense), net.....	1,568	1,365	1,113
Interest expense.....	(36,178)	(78)	—
Loss before provision for income taxes.....	(210,177)	(118,344)	(50,900)
Provision for income taxes.....	1,533	245	28
Net loss.....	<u>\$ (211,710)</u>	<u>\$ (118,589)</u>	<u>\$ (50,928)</u>

(1) Amounts include stock-based compensation expense as follows:

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Cost of revenues.....	305	103	37
Research and development.....	18,606	24,869	5,160
Sales and marketing.....	9,387	10,177	2,108
General and administrative.....	5,927	13,237	1,242
Total stock-based compensation expense.....	<u>\$ 34,225</u>	<u>\$ 48,386</u>	<u>\$ 8,547</u>

Stock-based compensation expense for fiscal 2020 and fiscal 2019 includes \$38.7 million and \$3.8 million, respectively, of compensation expense related to tender offers described above and in Note 11 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

The following table sets forth the components of our statements of operations data, for each of the periods presented, as a percentage of revenues.

	Year Ended January 31,		
	2021	2020	2019
	(percent of revenues)		
Revenues	100 %	100 %	100 %
Cost of revenues	13	14	18
Gross margin	87	86	82
Operating expenses:			
Research and development	53	63	55
Sales and marketing	78	74	68
General and administrative	34	33	26
Total operating expenses	165	170	150
Loss from operations	(77)	(84)	(68)
Interest income and other income (expense), net	1	1	1
Interest expense	(16)	*	—
Loss before provision for income taxes	(93)	(83)	(66)
Provision for income taxes	*	*	*
Net loss	(93)%	(83)%	(66)%

* Less than 1%

Note: Certain figures may not sum due to rounding.

Comparison of the Fiscal Years Ended January 31, 2021 and 2020

Revenues

	Year Ended January 31,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
Revenues	\$ 227,004	\$ 142,606	\$ 84,398	59 %

Revenues increased \$84.4 million, or 59%, during fiscal 2021 compared to fiscal 2020. The increase in revenues was primarily due to the addition of new paying customers, a continued shift in our sales mix toward our higher priced subscription plans, such as Enterprise and Business plans, and revenues generated from our existing paying customers expanding their use of our solution as reflected by our dollar-based net retention rate of over 115% as of January 31, 2021.

Cost of Revenues and Gross Margin

	Year Ended January 31,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
Cost of revenues	\$ 28,741	\$ 19,881	\$ 8,860	45 %
Gross margin	87 %	86 %		

Cost of revenues increased \$8.9 million, or 45%, during fiscal 2021 compared to fiscal 2020. The increase was primarily due to an increase of \$2.8 million in personnel-related costs due to increased headcount, \$2.3 million in third-party hosting costs as we increased capacity to support customer usage and growth of our customer base,

\$1.8 million in credit card processing fees and \$1.3 million in allocated overhead costs as a result of increased overall costs to support the growth of our business and related infrastructure.

Operating Expenses

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
	(dollars in thousands)			
Research and development	\$ 121,139	\$ 89,675	\$ 31,464	35 %
Sales and marketing	176,479	105,836	70,643	67
General and administrative	76,212	46,845	29,367	63
Total operating expenses	<u>\$ 373,830</u>	<u>\$ 242,356</u>	<u>\$ 131,474</u>	54 %

Research and Development

Research and development expenses increased \$31.5 million, or 35%, during fiscal 2021 compared to fiscal 2020. The increase was primarily due to an increase of \$40.8 million in personnel-related expenses driven by higher headcount, an increase of \$7.8 million in allocated overhead costs as a result of increased overall costs to support the growth of our business and related infrastructure, partially offset by a decrease of \$19.3 million in stock-based compensation expense related to a tender offer in October 2019.

Sales and Marketing

Sales and marketing expenses increased \$70.6 million, or 67%, during fiscal 2021 compared to fiscal 2020. The increase was primarily due to an increase of \$36.2 million in personnel-related expenses as a result of higher headcount, an increase of \$27.4 million in third-party advertising expenses for our marketing programs, an increase of \$9.0 million in allocated overhead costs as a result of increased overall costs to support the growth of our business and related infrastructure, and an increase of \$3.4 million in fees to marketing vendors, partially offset by a decrease of \$7.7 million in stock-based compensation expense related to a tender offer in October 2019.

General and Administrative

General and administrative expenses increased \$29.4 million, or 63%, during fiscal 2021 compared to fiscal 2020. The increase was primarily due to an increase of \$18.1 million in fees for professional services associated with preparing to be a public company, including direct listing expenses, an increase of \$15.2 million in personnel-related expenses driven by higher headcount to support our continued growth, an increase of \$3.7 million in allocated overhead costs as a result of increased overall costs to support the growth of our business and related infrastructure, an increase of \$2.1 million related to increased premiums for director and officer insurance incurred as a result of becoming a public company, partially offset by a decrease of \$11.4 million in stock-based compensation expense related to a tender offer in October 2019.

Interest Income, Interest Expense, and Other Income (Expense), Net

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
	(dollars in thousands)			
Interest income and other income (expense), net	\$ 1,568	\$ 1,365	\$ 203	15 %
Interest expense	(36,178)	(78)	(36,100)	46,282 %

Interest expense increased \$36.1 million during fiscal 2021 compared to fiscal 2020 primarily due to the issuance of the senior mandatory convertible promissory notes to a trust affiliated with our CEO in January 2020 and June 2020. Other income (expense), net increased \$0.2 million during fiscal 2021 compared to fiscal 2020 due primarily to an increase in gains on foreign currency transactions.

Comparison of the Fiscal Years Ended January, 31, 2020 and 2019

Revenues

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Revenues.....	\$ 142,606	\$ 76,770	\$ 65,836	86 %

Revenues increased \$65.8 million, or 86%, for fiscal 2020 compared to fiscal 2019. The increase in revenues was primarily due to a shift in our sales mix toward our higher priced subscription plans, such as Enterprise and Business plans, the addition of new paying customers, and revenues generated from our existing paying customers as reflected by our dollar-based net retention rate of over 120% as of January 31, 2020.

Cost of Revenues and Gross Margin

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Cost of revenues.....	\$ 19,881	\$ 13,832	\$ 6,049	44 %
Gross margin.....	86 %	82 %		

Cost of revenues increased \$6.0 million, or 44%, for fiscal 2020 compared to fiscal 2019. The increase was primarily due to an increase of \$3.6 million in third-party hosting costs as we increased capacity to support customer usage and growth of our customer base, \$1.6 million in personnel-related costs due to increased headcount, and \$1.5 million in credit card processing fees, partially offset by a \$0.7 million decrease in amortization of capitalized internal-use software costs.

Our gross margin increased for fiscal 2020 compared to fiscal 2019 as we increased our revenues and more efficiently managed third-party hosting costs, realized benefits due to economies of scale resulting from increased efficiency with our technology and infrastructure, and experienced a decrease in amortization of capitalized internal-use software costs.

Operating Expenses

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Research and development.....	\$ 89,675	\$ 42,585	\$ 47,090	111 %
Sales and marketing.....	105,836	52,106	53,730	103
General and administrative.....	46,845	20,260	26,585	131
Total operating expenses.....	<u>\$ 242,356</u>	<u>\$ 114,951</u>	<u>\$ 127,405</u>	111 %

Research and Development

Research and development expenses increased \$47.1 million, or 111%, for fiscal 2020 compared to fiscal 2019. The increase was primarily due to an increase of \$40.5 million in personnel-related expenses driven by higher headcount and \$16.6 million in higher tender offer-related stock-based compensation expense, an increase of \$3.9 million in allocated overhead costs as a result of increased overall costs to support the growth of our business and related infrastructure, and an increase of \$1.5 million related to software subscriptions and expensed computer equipment used in research and development activities.

Sales and Marketing

Sales and marketing expenses increased \$53.7 million, or 103%, for fiscal 2020 compared to fiscal 2019. The increase was primarily due to an increase of \$26.1 million in personnel-related expenses as a result of higher headcount and sales commissions for our sales personnel and \$7.0 million in higher tender offer-related stock-based compensation expense, an increase of \$13.7 million in advertising expenses for our marketing programs, an increase of \$7.2 million in fees to marketing vendors, and an increase of \$3.6 million in allocated overhead costs as a result of increased overall costs to support the growth of our business and related infrastructure.

General and Administrative

General and administrative expenses increased \$26.6 million, or 131%, for fiscal 2020 compared to fiscal 2019. The increase was primarily due to an increase of \$17.6 million in personnel-related expenses driven by higher headcount to support our continued growth and \$11.2 million in higher tender offer-related stock-based compensation expense, an increase of \$2.8 million in fees for professional services associated with preparing to be a public company, including direct listing expenses, an increase of \$1.6 million in fees paid to external consultants, and an increase of \$1.3 million in software subscriptions and expensed computer equipment to support the growth of our business and related infrastructure.

Interest Income, Interest Expense, and Other Income (Expense), Net

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Interest income and other income (expense), net	\$ 1,365	\$ 1,113	\$ 252	23 %
Interest expense.....	(78)	—	(78)	100

Interest income and other income (expense), net increased \$0.3 million, or 23%, for fiscal 2020 compared to fiscal 2019 primarily due to increased income from our investments in marketable securities as a result of our higher investment balances in fiscal 2020 compared to fiscal 2019. Interest expense increased \$0.1 million for fiscal 2020 compared to fiscal 2019 due to the issuance of the senior mandatory convertible promissory note to a trust affiliated with our CEO.

Liquidity and Capital Resources

Since inception, we have financed operations primarily through the net proceeds we have received from the sales of our preferred stock and common stock, the issuance of senior mandatory convertible promissory notes in January and June 2020 to a trust affiliated with our CEO, and cash generated from the sale of subscriptions to our platform. We have generated losses from our operations as reflected in our accumulated deficit of \$541.4 million as of January 31, 2021 and negative cash flows from operating activities for fiscal 2021, fiscal 2020, and fiscal 2019. Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support customer usage and growth in our customer base, increased research and development expenses to support the growth of our business and related infrastructure, and increased general and administrative expenses to support being a publicly traded company.

As of January 31, 2021, our principal sources of liquidity were cash, cash equivalents, and marketable securities of \$386.3 million.

In April 2020, we entered into a five-year \$40.0 million term loan agreement with Silicon Valley Bank. The agreement provides for a senior secured term loan facility, in an aggregate principal amount of up to \$40.0 million, to be used for the construction of our new corporate headquarters. Interest will accrue on any outstanding balance at a floating rate per annum equal to the prime rate (as publicly announced from time to time by the Wall Street Journal) plus an applicable margin equal to either (a) 0% if our unrestricted cash at the lender is equal to or less than \$80.0 million, or (b) (0.5)% if our unrestricted cash at the lender is between \$80.0 million and \$100.0 million, or (c)

(1.0)% if our unrestricted cash balance at the lender is equal to or greater than \$100.0 million. Interest shall be payable monthly. As of January 31, 2021, \$31.0 million was drawn and outstanding under this term loan.

A substantial source of our cash provided by operating activities is our deferred revenue, which is included on our consolidated balance sheets as a liability. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is recorded as revenues over the term of the subscription agreement. As of January 31, 2021 and January 31, 2020, we had \$105.9 million and \$64.1 million, respectively, of deferred revenue of which \$103.9 million and \$62.7 million, respectively, were recorded as a current liability. This deferred revenue will be recognized as revenues when all of the revenue recognition criteria are met.

We assess our liquidity primarily through our cash on hand as well as the projected timing of billings under contract with our paying customers and related collection cycles. We believe our current cash, cash equivalents, marketable securities, and amounts available under our senior secured term loan facility will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Cash Flows

The following table shows a summary of our cash flows for the periods presented:

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Net cash used in operating activities	\$ (92,870)	\$ (40,136)	\$ (30,180)
Net cash provided by (used in) investing activities	(158,937)	12,655	(44,662)
Net cash provided by financing activities	201,005	311,597	55,293

Operating Activities

Our largest source of operating cash is cash collection from sales of subscriptions to our paying customers. Our primary uses of cash from operating activities are for personnel-related expenses, marketing expenses, and third-party hosting-related and software expenses. In the last several years, we have generated negative cash flows from operating activities and have supplemented working capital requirements through net proceeds from the sale of equity and equity-linked securities.

Net cash used in operating activities of \$92.9 million for fiscal 2021 reflects our net loss of \$211.7 million, adjusted by non-cash items such as stock-based compensation expense of \$34.2 million, amortization of discount on convertible notes and term loan issuance costs of \$22.4 million, non-cash lease expense of \$16.4 million, non-cash interest expense of \$13.7 million, amortization of deferred contract acquisition costs of \$4.1 million, depreciation and amortization of \$3.5 million, provision for doubtful accounts of \$0.9 million, and net cash inflows of \$23.3 million from changes in our operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities primarily consisted of a \$41.8 million increase in deferred revenue resulting from increased billings for subscriptions, a \$17.9 million increase in accrued liabilities and other liabilities primarily from an increase in accrued advertising, and a \$7.3 million increase in operating lease liabilities. These amounts were partially offset by a \$20.5 million increase in accounts receivable due to higher customer billings, a \$17.2 million increase in prepaid expenses and other current assets related to an increase in deferred contract acquisition costs, a \$3.4 million increase in other assets, and a \$2.9 million decrease in accounts payable not related to the purchases of property and equipment.

Net cash used in operating activities of \$40.1 million for fiscal 2020 reflects our net loss of \$118.6 million, adjusted by non-cash items such as stock-based compensation expense of \$48.4 million, non-cash lease expense of \$8.2 million, depreciation and amortization of \$2.2 million, amortization of deferred contract acquisition costs of \$1.6 million, and net accretion of discount on marketable securities of \$1.0 million, and net cash inflows of \$18.2 million from changes in our operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities primarily consisted of a \$32.2 million increase in deferred revenue, resulting from increased billings for subscriptions, and an \$8.3 million increase in accrued expenses and other current liabilities, resulting primarily

from increases in accrued professional services, marketing, accrued payroll, and benefits, and a \$3.5 million increase in accounts payable. These amounts were partially offset by an \$8.7 million increase in prepaid expenses and other current assets related to an increase in prepayments made in advance for future services and an increase in deferred contract acquisition costs, a \$7.7 million increase in accounts receivable due to higher customer billings, and a \$7.6 million decrease in operating lease liabilities.

Net cash used in operating activities of \$30.2 million for fiscal 2019 reflects our net loss of \$50.9 million, offset by non-cash items such as stock-based compensation expense of \$8.5 million and depreciation and amortization of \$4.2 million, and net cash inflows of \$8.3 million from changes in our operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities primarily consisted of a \$15.1 million increase in deferred revenue, resulting from increased billings for subscriptions, and a \$4.0 million increase in accrued expenses and other current liabilities, resulting primarily from increases in accrued payroll related to commissions and bonuses. These amounts were partially offset by a \$4.5 million increase in prepaid expenses and other current assets related to prepayments made in advance for future services, a \$3.7 million increase in other assets related to deferred contract acquisition costs resulting from the adoption of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, or ASC 606, and a \$3.4 million increase in accounts receivable due to higher customer billings.

Investing Activities

Net cash used in investing activities of \$158.9 million for fiscal 2021 consisted of \$191.6 million in purchases marketable securities, \$57.3 million in purchases of property and equipment from an increase in construction in progress and \$1.0 million in capitalized internal-use software costs, partially offset by \$53.8 million in maturities of marketable securities and \$37.1 million in sales of marketable securities.

Net cash provided by investing activities of \$12.7 million for fiscal 2020 consisted of \$19.9 million in net purchases, sales, and maturities of marketable securities, partially offset by \$6.9 million in purchases of property and equipment from an increase in construction in progress and leasehold improvements, and \$0.4 million in capitalized internal-use software costs.

Net cash used in investing activities of \$44.7 million for fiscal 2019 consisted of \$41.3 million in net purchases and maturities of marketable securities, \$2.9 million in purchases of property and equipment from an increase in leasehold improvements and furniture and fixtures associated with supporting higher headcount, and \$0.6 million in capitalized internal-use software costs.

Financing Activities

Net cash provided by financing activities of \$201.0 million for fiscal 2021 consisted of \$150.0 million of proceeds from the issuance of a senior mandatory convertible promissory note in June 2020 to a trust affiliated with our CEO, \$30.9 million in net proceeds from our term loan, and \$20.5 million in proceeds from the exercise of stock options, partially offset by \$0.4 million in taxes paid related to the net share settlement of equity awards.

Net cash provided by financing activities of \$311.6 million for fiscal 2020 consisted of \$300.0 million of proceeds from the issuance of a senior mandatory convertible promissory note in January 2020 to a trust affiliated with our CEO and \$11.7 million in proceeds from the exercise of stock options, partially offset by \$0.1 million in repurchases of common stock.

Net cash provided by financing activities of \$55.3 million for fiscal 2019 consisted of \$51.0 million in net proceeds from the sale and issuance of Series E preferred stock and \$4.3 million in proceeds from the exercise of stock options.

Contractual Obligations and Commitments

The contractual commitment amounts in the table below are associated with agreements that are enforceable and legally binding. Purchase orders issued in the ordinary course of business are not included in the table below, as our purchase orders represent authorizations to purchase rather than binding agreements.

The following table summarizes our contractual obligations as of January 31, 2021:

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 years	3 - 5 years	More than 5 Years
	(in thousands)				
Operating lease commitments ⁽¹⁾	\$ 376,316	\$ 10,174	57,038	\$ 56,347	\$ 252,757
Purchase commitments ⁽²⁾⁽³⁾	135,791	50,291	61,500	24,000	—
Total contractual obligations	\$ 512,107	\$ 60,465	\$ 118,538	\$ 80,347	\$ 252,757

- (1) Consists of future non-cancelable minimum rental payments under operating leases for our offices.
- (2) In January 2021, we entered into a 60-month contract with Amazon Web Services for hosting-related services. Pursuant to the terms of the contract, we are required to spend a minimum of \$103.5 million over the term of the agreement, including \$18.0 million within the first year. As of January 31, 2021, we had \$103.5 million remaining on the commitment.
- (3) During the year ended January 31, 2021, we entered into multiple agreements with a construction company related to the build-out of our new corporate headquarters (see Note 9 to our consolidated financial statements). The cumulative contract value is \$71.1 million, and as of January 31, 2021, \$32.3 million remains unpaid under these agreements, of which \$9.5 million has been recorded on our consolidated balance sheets within accounts payable or accrued expenses and other liabilities.

In February 2019, we entered into a new lease agreement for office space in San Francisco, which commenced in May 2020 and expires in October 2033. As part of the agreement, we were required to issue a \$17.0 million letter of credit upon access to the office space, which occurred in the year ended January 31, 2021. We participated in the construction of the office space and have incurred construction costs to prepare the office space for our use, which will be partially reimbursed by the landlord. During the year ended January 31, 2021, all three phases of this lease commenced, and as a result, we recognized total ROU assets of \$175.5 million, with corresponding operating lease liabilities of \$173.4 million, on the consolidated balance sheet as of the respective commencement dates of the three phases. We expect to incur a total of approximately \$404.1 million of future minimum payments and capital commitments, net of tenant improvement receivables as of January 31, 2021, inclusive of \$363.7 million of net lease payments and the remaining capital commitments related to the build-out of the Company's new corporate headquarters referenced above. Our CEO acts as a personal guarantor to the lease for the full rent payments over the entire term of the lease should we default on our obligations.

Additionally, in April 2020, we amended the lease arrangement to include a fee for access to additional shared space, for which future payments total \$3.9 million.

For further information on our commitments and contingencies, refer to Note 8 in the condensed consolidated financial statements contained within this Annual Report on Form 10-K.

In January and June 2020, we issued two unsecured senior mandatory convertible promissory notes for an aggregate principal amount of \$450.0 million, or the 2020 Notes, to a trust affiliated with our CEO. The 2020 Notes are senior, unsecured obligations of the Company. The 2020 Notes bear interest at a fixed rate of 3.5% per annum that will be compounded annually and payable in-kind, resulting in an aggregate \$534.5 million being due upon settlement. The 2020 Notes consist of a note that matures on January 30, 2025 and a note that matures on June 26, 2025. The 2020 Notes mature, and would be converted into shares of our Class B common stock, on the applicable maturity date, unless earlier converted into shares of our Class B common stock or redeemed in connection with our bankruptcy, insolvency, or other similar events. The holder of the 2020 Notes is not entitled to convert the 2020 Notes at any time. The 2020 Notes are only convertible into shares of our Class B common stock at our option under certain scenarios, as discussed in Note 6 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

In April 2020, we entered into a \$40.0 million term loan agreement with Silicon Valley Bank, as discussed in Liquidity and Capital Resources above.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. Additionally, in connection with the listing of our Class A common stock on the NYSE, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon us to provide indemnification under such agreements, and there are no claims that we are aware of that could have a material effect on our financial position, results of operations, or cash flows.

Off-Balance Sheet Arrangements

For all periods presented, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

We derive our revenues from monthly and annual subscription fees earned from paying customers accessing the platform. Our policy is to exclude sales and other indirect taxes when measuring the transaction price of our subscription agreements. We account for revenue contracts with customers by applying the requirements of ASC 606, which includes the following steps:

- identification of the contract, or contracts, with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of the revenues when, or as, we satisfy a performance obligation.

Our subscription agreements generally have monthly or annual contractual terms. We recognize revenues ratably over the related contractual term beginning on the date that the platform is made available to a customer, as the customer receives and consumes the benefits of the platform throughout the contractual period. Access to the platform represents a series of distinct services that comprise a single performance obligation that is satisfied over time. Our contracts are generally non-cancelable and do not provide for refunds to paying customers in the event of cancellations.

Deferred Contract Acquisition Costs

Deferred contract acquisition costs represent gross deferred contract acquisition costs less accumulated amortization. Sales commissions earned by our sales force and bonuses earned by executives, as well as related payroll taxes, are considered to be incremental and recoverable costs of obtaining a contract with a customer. As a

result, these amounts have been capitalized as deferred contract acquisition costs within prepaid and other current assets and other assets on the consolidated balance sheets.

We amortize deferred contract acquisition costs over a period of benefit of three years. We estimated the period of benefit by considering factors such as historical customer attrition rates, the useful life of our technology, and the impact of competition in the software-as-a-service industry.

Stock-Based Compensation Expense

We record stock-based compensation expense for all stock-based awards made to employees, non-employees, and directors based on estimated fair values recognized over the requisite service period. We estimate the fair value of options granted to employees for purposes of calculating stock-based compensation expense on the grant date using the Black-Scholes pricing model. The Black-Scholes pricing model requires us to make assumptions and judgments about the inputs used in the calculation, including the expected term (weighted-average period of time that the options granted are expected to be outstanding), the volatility of our common stock, risk-free interest rate, and expected dividend yield. The expected term represents the period that we expect our stock-based awards to be outstanding. We determine the expected term assumptions based on the vesting terms, exercise terms, and contractual lives of the options. The volatility is based on an average of the historical volatilities of the common stock of comparable public companies with characteristics similar to ours. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. Our expected dividend yield input is zero as we have not historically paid, nor do we expect in the future to pay, cash dividends.

We measure stock-based compensation expense related to our restricted stock units, or RSUs, based on the fair value of the underlying shares on the date of grant. RSUs are subject to time-based vesting, which generally occurs over a period of four years.

We recognize stock-based compensation expense over the requisite service period, which is generally the vesting period of the respective award. We use the straight-line method for expense attribution. We account for forfeitures as they occur.

The assumptions are based on the following for each of the years presented:

- *Fair value of common stock*—Prior to our direct listing, we estimated the fair value of common stock; see “Common Stock Valuations” below.
- *Expected volatility*—Expected volatility is a measure of the amount by which the stock price is expected to fluctuate. Since we do not have sufficient trading history of our common stock, we estimate the expected volatility of our stock options at the grant date by taking the average historical volatility of a group of comparable publicly traded companies over a period equal to the expected life of the options.
- *Expected term*—Expected term represents the period that our stock-based awards are expected to be outstanding. The expected term assumptions are determined based on the vesting terms, exercise terms, and contractual lives of the options.
- *Risk-free rate*—We use the U.S. Treasury yield for our risk-free interest rate that corresponds with the expected term.
- *Dividend yield*—We utilize a dividend yield of zero, as we do not currently issue dividends, nor do we expect to do so in the future.

Common Stock Valuations

Prior to our direct listing, the fair value of our common stock underlying our stock-based awards was historically determined by our board of directors, in accordance with the guidelines outlined in the *American Institute of Certified Public Accountants, Valuation of Privately-Held-Company Equity Securities Issued as Compensation* guide. Each fair value estimate was based on a variety of factors, which included the following:

- contemporaneous valuations performed by an unrelated third-party valuation firm;
- the prices, rights, preferences, and privileges of our preferred stock relative to those of our common stock;
- the lack of marketability of our common stock;
- our operating and financial performance;
- current business conditions and outlook;
- hiring of key personnel and the experience of our management;
- our history and the timing of the introduction of new applications and capabilities;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of our business given prevailing market conditions;
- the market performance of comparable publicly traded companies; and
- U.S. and global capital market conditions.

In valuing our common stock, our board of directors determined the equity value of our business using valuation methods they deemed appropriate under the circumstances applicable at the valuation date.

One method, the market approach, estimates value based on a comparison of our company to comparable public companies in a similar line of business. To determine our peer group of companies, we considered public enterprise cloud-based application providers and selected those that are similar to us in size, economic drivers, and operating characteristics. From the comparable companies, a representative market value multiple was determined, which was applied to our operating results to estimate the enterprise value of our company. When applicable, we also used the option pricing model to backsolve the value of the security from our most recent round of financing, which implies a total equity value as well as a per share common stock value.

For valuations prior to January 31, 2020, once the enterprise value was determined under the market approach, we used the option pricing model to allocate that value among the various classes of securities to arrive at the fair value of the common stock.

For valuations as of and subsequent to January 31, 2020 and before our direct listing, we used a hybrid method utilizing a combination of the option pricing model and the probability-weighted expected return method, or the PWERM, in estimating the fair value of our common stock. Using the PWERM, the value of our common stock is estimated based upon a probability-weighted analysis of varying values for our common stock assuming possible future events for our company, including a scenario assuming we become a publicly traded company and a scenario assuming we continue as a privately held company.

In addition, we also considered any secondary transactions involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange. Factors considered include transaction volume, timing, whether the transactions occurred among willing and unrelated parties, and whether the transactions involved investors with access to our financial information.

For valuations after our direct listing, our board of directors determined the fair value of each share of underlying Class A common stock based on the closing price of our Class A common stock as reported on the date of grant.

Lease Obligations

We determine if an arrangement is a lease at inception by determining if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and other facts and circumstances. Right-of-use (“ROU”) assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only payments that are fixed and determinable at the time of commencement. As our leases do not provide an implicit rate, we use the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is a hypothetical rate based on our understanding of what its credit rating would be. The ROU assets also include any lease payments made prior to commencement and are recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options. The lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of operations. Our lease agreements generally do not contain any residual value guarantees, restrictions, or covenants.

We have lease agreements with lease and non-lease components. We have elected to combine lease and non-lease components as a single lease component for all classes of underlying assets. We have also elected to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current, and operating lease liabilities, noncurrent on the consolidated balance sheets.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding recent accounting pronouncements.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have operations in the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

Interest Rate Risk

Our cash, cash equivalents, and marketable securities primarily consist of cash on hand and highly liquid investments in money market funds and U.S. government securities. As of January 31, 2021 and January 31, 2020, we had cash and cash equivalents of \$259.9 million and \$306.0 million, respectively, and marketable securities of \$145.5 million and \$45.3 million, respectively. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair value of our investments. However, due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

In January and June 2020, we issued the 2020 Notes for an aggregate principal amount of \$450 million to a trust affiliated with our CEO. The 2020 Notes bear interest at a fixed rate of 3.5% per annum that will be compounded annually and payable in-kind. As the 2020 Notes have a fixed annual interest rate, we have no financial exposure associated with changes in interest rates. However, the fair values of the 2020 Notes are subject to interest rate risk, market risk, and other factors, as the fair values of the 2020 Notes will fluctuate when there are changes to the interest rate or the price of our common stock. The interest and common stock value changes affect the fair values of the 2020 Notes, but do not impact our financial position, cash flows, or results of operations due to the fixed nature of the debt obligation.

Foreign Currency Risk

The majority of our subscription agreements are denominated in U.S. dollars, with a small number of subscription agreements denominated in foreign currencies. A portion of our operating expenses are incurred outside the United States, denominated in foreign currencies, and subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound, Canadian Dollar, Australian Dollar, Japanese Yen, Icelandic Krona, and Singapore Dollar. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our consolidated statements of operations. 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.

Item 8. Financial Statements and Supplementary Data

**ASANA, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>75</u>
<u>Consolidated Balance Sheets</u>	<u>76</u>
<u>Consolidated Statements of Operations</u>	<u>77</u>
<u>Consolidated Statements of Comprehensive Loss</u>	<u>78</u>
<u>Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit</u>	<u>79</u>
<u>Consolidated Statements of Cash Flows</u>	<u>81</u>
<u>Notes to Consolidated Financial Statements</u>	<u>83</u>

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Asana, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Asana, Inc. and its subsidiaries (the “Company”) as of January 31, 2021 and 2020, and the related consolidated statements of operations, of comprehensive loss, of redeemable convertible preferred stock and stockholders’ deficit, and of cash flows for each of the three years in the period ended January 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of February 1, 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

March 30, 2021

We have served as the Company's auditor since 2011.

ASANA, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	As of January 31,	
	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 259,878	\$ 306,020
Marketable securities	126,396	45,288
Accounts receivable, net	32,194	12,659
Prepaid expenses and other current assets	27,295	16,667
Total current assets	445,763	380,634
Property and equipment, net	74,436	10,100
Restricted cash, noncurrent	—	4,657
Operating lease right-of-use assets	182,924	20,818
Investments, noncurrent	19,125	—
Other assets	8,871	5,483
Total assets	<u>\$ 731,119</u>	<u>\$ 421,692</u>
Liabilities, Redeemable Convertible Preferred Stock, and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 9,599	\$ 7,549
Accrued expenses and other current liabilities	41,616	18,241
Deferred revenue	103,875	62,725
Operating lease liabilities, current	8,386	11,613
Total current liabilities	163,476	100,128
Term loan, net	29,508	—
Convertible notes, net—related party	351,161	203,097
Operating lease liabilities, noncurrent	196,802	10,472
Other liabilities	2,961	2,729
Total liabilities	743,908	316,426
Commitments and contingencies (Note 8)		
Redeemable convertible preferred stock, \$0.00001 par value; 0 and 151,101 shares authorized as of January 31, 2021 and January 31, 2020, respectively; 0 and 73,577 shares issued and outstanding as of January 31, 2021 and January 31, 2020, respectively; liquidation preference of \$250,999 as of January 31, 2020	—	250,581
Stockholders' (deficit) equity		
Common stock, \$0.00001 par value; 1,500,000 and 540,000 shares authorized as of January 31, 2021 and January 31, 2020, respectively; 161,480 and 76,688 shares issued and outstanding as of January 31, 2021 and January 31, 2020, respectively;	2	1
Additional paid-in capital	528,616	184,522
Accumulated other comprehensive income (loss)	39	(102)
Accumulated deficit	(541,446)	(329,736)
Total stockholders' deficit	(12,789)	(145,315)
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	<u>\$ 731,119</u>	<u>\$ 421,692</u>

See accompanying Notes to Consolidated Financial Statements.

ASANA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended January 31,		
	2021	2020	2019
Revenues.....	\$ 227,004	\$ 142,606	\$ 76,770
Cost of revenues.....	28,741	19,881	13,832
Gross profit.....	<u>198,263</u>	<u>122,725</u>	<u>62,938</u>
Operating expenses:			
Research and development.....	121,139	89,675	42,585
Sales and marketing.....	176,479	105,836	52,106
General and administrative.....	76,212	46,845	20,260
Total operating expenses.....	<u>373,830</u>	<u>242,356</u>	<u>114,951</u>
Loss from operations.....	<u>(175,567)</u>	<u>(119,631)</u>	<u>(52,013)</u>
Interest income and other income (expense), net.....	1,568	1,365	1,113
Interest expense.....	<u>(36,178)</u>	<u>(78)</u>	<u>—</u>
Loss before provision for income taxes.....	<u>(210,177)</u>	<u>(118,344)</u>	<u>(50,900)</u>
Provision for income taxes.....	\$ 1,533	245	28
Net loss.....	<u>\$ (211,710)</u>	<u>\$ (118,589)</u>	<u>\$ (50,928)</u>
Net loss per share:			
Basic and diluted.....	<u>\$ (1.99)</u>	<u>\$ (1.69)</u>	<u>\$ (0.78)</u>
Weighted-average shares used in calculating net loss per share:			
Basic and diluted.....	<u>106,344</u>	<u>70,335</u>	<u>65,214</u>

See accompanying Notes to Consolidated Financial Statements.

ASANA, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended January 31,		
	2021	2020	2019
Net loss.....	\$ (211,710)	\$ (118,589)	\$ (50,928)
Other comprehensive income (loss):			
Net unrealized gains (losses) on marketable securities.....	(4)	7	23
Change in foreign currency translation adjustments.....	145	(29)	(18)
Comprehensive loss.....	<u>\$ (211,569)</u>	<u>\$ (118,611)</u>	<u>\$ (50,923)</u>

See accompanying Notes to Consolidated Financial Statements.

ASANA, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balances at February 1, 2018	67,317	\$ 199,364	63,660	\$ 1	\$ 18,101	\$ (85)	\$ (160,219)	\$ (142,202)
Issuance of Series E redeemable convertible preferred stock, net of issuance costs	6,230	51,006	—	—	—	—	—	—
Issuance of common stock upon the exercise of options	—	—	4,607	—	2,930	—	—	2,930
Vesting of early exercised stock options	—	—	—	—	613	—	—	613
Repurchases of common stock	—	—	(11)	—	(14)	—	—	(14)
Stock-based compensation expense	—	—	—	—	8,585	—	—	8,585
Net unrealized gain on marketable securities	—	—	—	—	—	23	—	23
Foreign currency translation adjustments	—	—	—	—	—	(18)	—	(18)
Net loss	—	—	—	—	—	—	(50,928)	(50,928)
Balances at January 31, 2019	73,547	250,370	68,256	1	30,215	(80)	(211,147)	(181,011)
Issuance of common stock upon the exercise of options	—	—	8,456	—	7,576	—	—	7,576
Issuance of redeemable convertible preferred stock upon net exercise of warrants	30	211	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	1,402	—	—	1,402
Repurchases of common stock	—	—	(24)	—	(77)	—	—	(77)
Stock-based compensation expense	—	—	—	—	48,425	—	—	48,425
Net unrealized gain on marketable securities	—	—	—	—	—	7	—	7
Deemed capital contribution on issuance of convertible note—related party	—	—	—	—	96,981	—	—	96,981
Foreign currency translation adjustments	—	—	—	—	—	(29)	—	(29)
Net loss	—	—	—	—	—	—	(118,589)	(118,589)
Balances at January 31, 2020	73,577	\$ 250,581	76,688	\$ 1	\$ 184,522	(102)	\$ (329,736)	\$ (145,315)

See accompanying Notes to Consolidated Financial Statements.

ASANA, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT- CONTINUED
(in thousands)

	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Additional Paid-In			
Balances at January 31, 2020	73,577	\$ 250,581	76,688	\$ 1	\$ 184,522	(102)	\$ (329,736)	(145,315)
Issuance of common stock upon the exercise of options	—	—	11,012	\$ —	18,057	—	—	18,057
Vesting of early exercised stock options	—	—	—	\$ —	3,443	—	—	3,443
Repurchases of common stock	—	—	(17)	\$ —	—	—	—	—
Issuance of common stock upon the vesting and settlement of restricted stock units, net of shares withheld for taxes	—	—	220	\$ —	(378)	—	—	(378)
Conversion of redeemable convertible preferred stock to common stock in connection with direct listing	(73,577)	(250,581)	73,577	\$ 1	250,580	—	—	250,581
Stock-based compensation expense	—	—	—	\$ —	34,419	—	—	34,419
Net unrealized loss on marketable securities	—	—	—	\$ —	—	(4)	—	(4)
Foreign currency translation adjustments	—	—	—	\$ —	—	145	—	145
Deemed capital contribution on issuance of convertible note—related party	—	—	—	\$ —	37,973	—	—	37,973
Net loss	—	—	—	\$ —	—	—	(211,710)	(211,710)
Balance at January 31, 2021	—	\$ —	161,480	\$ 2	\$ 528,616	\$ 39	\$ (541,446)	\$ (12,789)

See accompanying Notes to Consolidated Financial Statements.

ASANA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended January 31,		
	2021	2020	2019
Cash flows from operating activities			
Net loss	\$ (211,710)	\$ (118,589)	\$ (50,928)
Adjustments to reconcile net loss to net cash used in operating activities:			
Allowance for doubtful accounts	924	653	95
Depreciation and amortization	3,486	2,233	4,231
Gain on sale of property and equipment	(12)	—	—
Amortization of deferred contract acquisition costs	4,079	1,607	322
Stock-based compensation expense	34,225	48,386	8,547
Net accretion of discount of marketable securities	406	(1,016)	(820)
Change in fair value of redeemable convertible preferred stock warrant liability	—	117	35
Non-cash lease expense	16,389	8,228	—
Amortization of discount on convertible notes and term loan issuance costs	22,369	49	—
Non-cash interest expense	13,681	29	—
Changes in operating assets and liabilities:			
Accounts receivable	(20,458)	(7,718)	(3,427)
Prepaid expenses and other current assets	(17,184)	(8,688)	(4,534)
Other assets	(3,390)	(1,791)	(3,690)
Accounts payable	(2,877)	3,472	362
Accrued expenses and other current liabilities	17,888	8,321	4,023
Deferred revenue	41,779	32,189	15,089
Operating lease liabilities	7,300	(7,618)	—
Other liabilities	235	—	515
Net cash used in operating activities	(92,870)	(40,136)	(30,180)
Cash flows from investing activities			
Purchases of marketable securities	(191,576)	(77,759)	(103,205)
Sales of marketable securities	37,091	4,282	—
Maturities of marketable securities	53,842	93,394	61,950
Purchases of property and equipment	(57,344)	(6,878)	(2,850)
Sales of property and equipment	12	—	—
Capitalized internal-use software	(962)	(384)	(557)
Net cash provided by (used in) investing activities	(158,937)	12,655	(44,662)
Cash flows from financing activities			
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	—	51,006
Proceeds from term loan, net of issuance costs	30,915	—	—
Proceeds from issuance of convertible notes — related party	150,000	300,000	—
Taxes paid related to net share settlement of equity awards	(378)	—	—
Repurchases of common stock	(33)	(77)	(14)
Proceeds from exercise of stock options	20,501	11,674	4,301
Net cash provided by financing activities	201,005	311,597	55,293
Effect of foreign exchange rates on cash and cash equivalents and restricted cash	3	(19)	4
Net increase (decrease) in cash, cash equivalents, and restricted cash	(50,799)	284,097	(19,545)

See accompanying Notes to Consolidated Financial Statements.

ASANA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS- CONTINUED
(in thousands)

	Year Ended January 31,		
	2021	2020	2019
Cash, cash equivalents, and restricted cash			
Beginning of period	310,677	26,580	46,125
End of period	<u>\$ 259,878</u>	<u>\$ 310,677</u>	<u>\$ 26,580</u>
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	\$ 259,878	\$ 306,020	\$ 23,778
Restricted cash	—	4,657	2,802
Total cash, cash equivalents, and restricted cash	<u>\$ 259,878</u>	<u>\$ 310,677</u>	<u>\$ 26,580</u>
Supplemental cash flow data			
Purchase of property and equipment in accounts payable and accrued liabilities	\$ 10,094	\$ 914	\$ 24
Vesting of early exercised stock options	3,443	1,402	613
Conversion of redeemable convertible preferred stock warrant liability to redeemable convertible preferred stock as a result of warrant exercise	—	211	—

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization***Organization and Description of Business***

Asana, Inc. (“Asana” or the “Company”) was incorporated in the state of Delaware on December 16, 2008. Asana is a work management platform that helps teams orchestrate work, from daily tasks to cross-functional strategic initiatives. The Company is headquartered in San Francisco, California.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies***Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the accounts of the Company’s wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

Fiscal Year

The Company’s fiscal year ends on January 31. For example, references to fiscal 2021, 2020 and 2019 refer to the fiscal year ended January 31, 2021, January 31, 2020 and January 31, 2019, respectively.

Reclassification of Class A and Class B Common Stock

On March 23, 2020, the Company amended and restated its certificate of incorporation to effect a reclassification of the Company’s Class A common stock to Class B common stock, and vice versa. There were no changes to the rights, preferences, and privileges of each class of common stock at this time. All references to Class A common stock have been recast to Class B common stock, and all references to Class B common stock have been recast to Class A common stock, in these consolidated financial statements to give retrospective effect to the reclassification for all periods presented.

Direct Listing

On September 30, 2020, the Company completed a direct listing of its Class A common stock (the “Direct Listing”) on the NYSE. The Company incurred fees related to financial advisory service, audit, and legal expenses in connection with the Direct Listing and recorded general and administrative expenses of \$18.0 million for the year ended January 31, 2021. Prior to the Direct Listing, all 73,577,455 outstanding shares of redeemable convertible preferred stock were converted into an equivalent number of shares of Class B common stock.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Estimates and assumptions reflected in the consolidated financial statements include, but are not limited to, revenue recognition, the useful lives and carrying values of long-lived assets, the fair value of the Convertible Notes (as defined below), the fair value of common stock, stock-based compensation expense, the period of benefit for deferred contract acquisition costs, and income taxes. Actual results could differ from those estimates.

Risks and Uncertainties

As a result of the COVID-19 pandemic, the Company has temporarily closed its headquarters and other physical offices, required its employees and contractors to work remotely, and implemented travel restrictions, all of which represent a significant disruption in how the Company operates its business. The operations of its partners and customers have likewise been disrupted. While the duration and extent of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions and the development of a vaccine, it has already had an adverse effect on the global economy and the ultimate societal and economic impact of the COVID-19 pandemic remains unknown. In particular, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

conditions caused by this pandemic could affect the rate of global IT spending and could adversely affect demand for the Company's platform, lengthen the Company's sales cycles, reduce the value or duration of subscriptions, negatively impact collections of accounts receivable, reduce expected spending from new customers, cause some of the Company's paying customers to go out of business, limit the ability of the Company's direct sales force to travel to customers and potential customers, and affect contraction or attrition rates of the Company's customers, all of which could adversely affect the Company's business, results of operations, and financial condition. As of the date of issuance of the financial statements, the Company is not aware of any specific event or circumstance related to COVID-19 that would require it to update its estimates or judgments or adjust the carrying value of its assets or liabilities. Actual results could differ from those estimates and any such differences may be material to the consolidated financial statements.

Revenue Recognition

The Company derives its revenues from monthly and annual subscription fees earned from customers accessing the platform. The Company's policy is to exclude sales and other indirect taxes when measuring the transaction price of its subscription agreements. The Company accounts for revenue contracts with customers by applying the requirements of ASC 606, *Revenue from Contracts with Customers*, which includes the following steps:

- identification of the contract, or contracts, with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of the revenues when, or as, the Company satisfies a performance obligation.

The Company's subscription agreements generally have monthly or annual contractual terms and are billed in advance. Revenues are recognized ratably over the related contractual term beginning on the date that the platform is made available to a customer. The Company recognizes revenues ratably because the customer receives and consumes the benefits of the platform throughout the contractual period. Access to the platform represents a series of distinct services that comprise a single performance obligation that is satisfied over time. The Company's contracts are generally non-cancelable and do not provide for refunds to customers in the event of cancellations.

A majority of the Company's contracts give a right to bill for additional usage, which is deemed variable consideration. The variable consideration is allocated as the services are completed. An estimate of variable consideration is included in the transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

Research and Development

Research and development expenses consist primarily of personnel-related expenses such as salaries and related benefits for the Company's product development employees. Also included are non-personnel costs such as product design costs, third-party services and consulting expenses, depreciation expense related to equipment used in research and development activities, and allocation of the Company's general overhead expenses.

Advertising Expenses

Advertising expenses are charged to sales and marketing expense in the consolidated statements of operations as incurred. Advertising expenses were \$68.0 million, \$39.0 million, and \$19.9 million for the years ended January 31, 2021, 2020, and 2019, respectively.

Stock-Based Compensation Expense

The Company records stock-based compensation expense for all stock-based awards, including stock options, purchase rights issued under the 2019 Employee Stock Purchase Plan ("ESPP"), and restricted stock units ("RSUs"),

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

made to employees, non-employees, and directors based on estimated fair values recognized over the requisite service period. The fair value of stock options granted and purchase rights issued under the ESPP for purposes of calculating stock-based compensation expense is estimated on the grant date using the Black-Scholes pricing model. The Black-Scholes pricing model requires the Company to make assumptions and judgments about the inputs used in the calculation, including the expected term (weighted-average period of time that the options granted are expected to be outstanding), the volatility of the Company's common stock, risk-free interest rate, and expected dividend yield. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. The expected term assumptions are determined based on the vesting terms, exercise terms, and contractual lives of the options. The volatility is based on an average of the historical volatilities of the common stock of comparable public companies with characteristics similar to those of the Company. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. The Company's expected dividend yield input is zero as it has not historically paid, nor does it expect in the future to pay, cash dividends on its common stock. Stock-based compensation expense for RSUs is measured based on the fair value of the underlying shares on the date of grant.

Stock-based compensation expense is recognized as expense over the requisite service period, which is generally the vesting period of the respective award. The Company uses the straight-line method for expense attribution. The Company accounts for forfeitures as they occur.

Foreign Currency Translation and Transactions

The functional currency of each of the Company's wholly owned subsidiaries is the applicable local currency or the U.S. dollar. The translation of foreign currencies into U.S. dollars is performed for assets and liabilities using current foreign currency exchange rates in effect at the balance sheet date and for revenues and expense accounts using average foreign currency exchange rates during the period. Capital accounts are translated at historical foreign currency exchange rates. Translation gains and losses are included in stockholders' deficit as a component of accumulated other comprehensive income (loss). Adjustments that arise from foreign currency exchange rate changes on transactions denominated in a currency other than the functional currency are included in other income (expense), net on the consolidated statements of operations and were not material for the years ended January 31, 2021, 2020, and 2019.

Segment Information

The Company's chief operating decision-maker is its Chief Executive Officer ("CEO"), who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. The Company manages its operations and allocates resources as a single operating segment. For information regarding the Company's revenues and long-lived assets by geographic area, see Note 15, "Geographic Information."

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with original maturities at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value.

Under various facilities operating lease agreements, the Company was required to maintain a restricted cash deposit as collateral. The Company had no restricted cash as of January 31, 2021 and \$4.7 million of restricted cash for use as security deposits for standby letters of credit issued to landlords as of January 31, 2020.

Cash, cash equivalents, and restricted cash as reported in the Company's consolidated statements of cash flows includes the aggregate amounts of cash, cash equivalents, and restricted cash as shown on the consolidated balance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

sheets. Cash, cash equivalents, and restricted cash as reported in the Company's consolidated statements of cash flows consist of the following (in thousands):

	As of January 31,		
	2021	2020	2019
Cash and cash equivalents.....	\$ 259,878	\$ 306,020	\$ 23,778
Restricted cash.....	—	4,657	2,802
Cash, cash equivalents, and restricted cash.....	<u>\$ 259,878</u>	<u>\$ 310,677</u>	<u>\$ 26,580</u>

Marketable Securities and Investments

Marketable securities are partially comprised of U.S. government securities, commercial paper, and corporate bonds with an original contractual maturity or a remaining maturity at the time of purchase of greater than three months and no more than 37 months. Marketable securities with a remaining maturity at the time of purchase in excess of 12 months are presented as investments, non-current on the consolidated balance sheets. These marketable securities are classified as available-for-sale securities and are carried at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss) as a separate component of stockholders' deficit. Interest receivable on these securities is presented in prepaid expenses and other current assets on the consolidated balance sheets. Realized gains and losses and other-than-temporary impairments, if any, on available-for-sale securities are recognized upon sale and are included in other income (expense), net in the consolidated statements of operations. The cost of securities sold is based on the specific identification method. Marketable securities are reviewed periodically to identify possible other-than-temporary impairments. No impairment loss has been recorded on the Company's marketable securities during the years ended January 31, 2021, 2020, or 2019.

Accounts Receivable

Accounts receivable are stated at realizable value, net of allowance for doubtful accounts. The Company's estimate is based on historical collection experience and a review of the current status of accounts receivable. The Company's allowance for doubtful accounts was \$0.6 million and \$0.1 million as of January 31, 2021 and 2020, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, and marketable securities. Substantially all the Company's cash and cash equivalents are held by four financial institutions that management believes are of high credit quality. Such deposits may, at times, exceed federally insured limits. Cash equivalents are invested in highly rated money market funds.

A large portion of the Company's customers authorize the Company to bill their credit card accounts through the Company's third-party payment processing partners, presenting additional credit risk. For the years ended January 31, 2021, 2020, and 2019, there were no individual customers that accounted for 10% or more of the Company's revenues. The Company had one customer that accounted for approximately 13% of accounts receivable at January 31, 2021. The Company had no customers that accounted for more than 10% of accounts receivable as of January 31, 2020.

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash equivalents, accounts receivable, and accounts payable approximate their respective fair values due to the short maturities of those instruments. Available-for-sale marketable securities are recorded at fair value on the consolidated balance sheets.

The Company accounts for certain of its financial assets at fair value. In determining and disclosing fair value, the Company uses a fair value hierarchy established by U.S. GAAP. The guidance defines fair value as an exit price, representing the amount that would be received upon the sale of an asset or paid to transfer a liability in an orderly

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 Observable inputs such as quoted prices in active markets.
- Level 2 Inputs other than the quoted prices in active markets that are observable either directly or indirectly.
- Level 3 Unobservable inputs in which there is little or no market data and that are significant to the fair value of the assets or liabilities.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Lease Obligations

The Company determines if an arrangement is a lease at inception by determining if the contract conveys the right to control the issue of an identified asset for a period of time in exchange for consideration and other facts and circumstances. Right-of-use (“ROU”) assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As the Company’s leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is a hypothetical rate based on the Company’s understanding of what its credit rating would be. The ROU assets also include any lease payments made prior to commencement and are recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of operations. The Company’s lease agreements generally do not contain any residual value guarantees, restrictions, or covenants.

The Company has lease agreements with lease and non-lease components. The Company elects to combine lease and non-lease components as a single lease component for all classes of underlying assets. The Company elects to not record leases with an initial term of 12 months on the balance sheet and the associated lease payments are recognized in the consolidated statements of operations on a straight-line basis over the lease term.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current, and operating lease liabilities, noncurrent on the consolidated balance sheets.

Property and Equipment, Net

The Company records its property and equipment at cost. Depreciation is computed on the straight-line method over the estimated useful lives of two to three years. Leasehold improvements are amortized over the remaining period of the lease, or the estimated useful life of the improvement, whichever is shorter. Repair and maintenance expenditures, which are not considered improvements and do not extend the useful life of an asset, are expensed as incurred.

Asset Type	Life (Years)
Desktop and other computer equipment	2-3
Furniture and fixtures	3
Leasehold improvements	Shorter of lease term or estimated useful life
Capitalized internal-use software	3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capitalized Internal-Use Software

The Company capitalizes certain internal software development costs, consisting primarily of direct labor associated with creating the internally developed software. Capitalized costs are amortized using the straight-line method over the estimated useful life of the software once it is ready for its intended use. The Company believes the straight-line recognition method best approximates the manner in which the expected benefit will be derived.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment losses were recorded during the years ended January 31, 2021, 2020 and 2019.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating loss carryforwards and research and development credit carryforwards.

A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized. If there is significant negative evidence that the near-term realization of certain assets are deemed unlikely, the Company would record a valuation allowance against the deferred tax assets. The Company regularly assesses the continuing need for a valuation allowance against its deferred tax assets. Significant judgment is required to determine whether a valuation allowance continues to be necessary and the amount of such valuation allowance, if appropriate. The Company considers all available evidence, both positive and negative, to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating the continued need for a valuation allowance, the Company considers, among other things, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, and the duration of statutory carryforward periods.

The Company performs a comprehensive review of potential uncertain tax positions in each jurisdiction in which the Company operates. The Company accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes*. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax provision that an entity takes or expects to take in a tax return.

The Company's policy is to include penalties and interest related to income tax matters within the Company's benefit from (provision for) income taxes.

Redeemable Convertible Preferred Stock Warrants

The Company had redeemable convertible preferred stock warrants exercisable for its Series B redeemable convertible preferred stock, which were classified as liabilities on the Company's balance sheets. The redeemable convertible preferred stock warrants were subject to remeasurement at each balance sheet date, and any change in fair value was recognized as a component of other income (expense), net. In November 2019, all of the Company's outstanding redeemable convertible preferred stock warrants were net exercised for 30,606 shares of Series B redeemable convertible preferred stock. See Note 11. "Stockholders' Deficit" for further discussion.

Net Loss Per Share

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. All series of the Company's redeemable convertible preferred stock and early exercised stock options are considered to be participating securities because all holders are

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

entitled to receive a non-cumulative dividend on a pari passu basis in the event that a dividend is paid on the common stock. The holders of the redeemable convertible preferred stock do not have a contractual obligation to share in the Company's losses. As such, the Company's net losses for the years ended January 31, 2021, 2020 and 2019 were not allocated to these participating securities.

The rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of redeemable convertible preferred stock warrants, stock options, RSUs, and redeemable convertible preferred stock. As the Company has reported losses for all periods presented, all potentially dilutive securities are anti-dilutive, and accordingly, basic net loss per share equaled diluted net loss per share.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in more timely recognition of credit losses. The Company expects to adopt ASU 2016-13 as of February 1, 2021 and is currently evaluating the impact of adoption.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. Under existing GAAP, there is diversity in practice in accounting for the costs of implementing cloud computing arrangements that are service contracts. The amendments in ASU No. 2018-15 amend the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain costs as if the arrangement were an internal-use software project. The Company expects to adopt ASU 2018-15 as of February 1, 2021 and is currently evaluating the impact of adoption.

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. The guidance is effective for the Company's fiscal years beginning after February 1, 2022, and earlier adoption is permitted. The Company is currently evaluating the impact and timing of adopting ASU 2020-06.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. The amendments in the updated guidance simplify the accounting for income taxes by removing certain exceptions and improving consistent application of other areas of the topic by clarifying the guidance. The Company has adopted this standard as of February 1, 2020. The adoption of the standard did not have a material impact on the Company's consolidated financial statements for the year ended January 31, 2021 or for any of the interim periods therein.

On February 1, 2019, the Company adopted Accounting Standards Update No. 2016-02, *Leases* ("Topic 842" or "ASC 842") (ASU 2016-02) on a modified basis using the optional transition method, and accordingly, has not

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

restated comparative periods. Balances and related disclosures for fiscal 2019 continue to be presented in accordance with ASC 840, *Leases*. Results and disclosures for fiscal 2020 are presented under ASC 842.

The Company elected the package of practical expedients permitted under the transition guidance, which allowed the Company to carryforward its historical lease classification, the assessment on whether a contract was or contains a lease, and the initial direct costs for any leases that existed prior to February 1, 2019, the adoption date. The Company elected the use of the hindsight practical expedient in determining the lease term and assessing the likelihood that the lease renewal or termination option will be exercised. The Company also elected to combine lease and non-lease components and to keep leases with an initial term of 12 months or less off the balance sheets and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term.

Upon adoption, the Company recognized total ROU assets of \$16.5 million, with corresponding operating lease liabilities of \$18.3 million on the consolidated balance sheet. The ROU assets include adjustments for prepayments and accrued lease incentive liabilities. The adoption did not impact beginning accumulated deficit or the prior year consolidated statement of operations and statement of cash flows.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which amends disclosure requirements for fair value measurements by requiring new disclosures, modifying existing requirements, and eliminating others. On February 1, 2020, the Company adopted ASU 2018-13. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

Note 3. Revenue***Deferred Revenue and Remaining Performance Obligations***

Total deferred revenue was \$105.9 million and \$64.1 million as of January 31, 2021 and January 31, 2020, respectively, of which \$2.0 million and \$1.4 million, respectively, is presented within other liabilities, as a noncurrent liability, in the consolidated balance sheets as of January 31, 2021 and January 31, 2020, respectively.

The Company recognized \$62.7 million and \$31.8 million of revenues during the years ended January 31, 2021 and 2020, respectively, that were included in the deferred revenue balance at the beginning of the respective period.

As of January 31, 2021, the Company's remaining performance obligations from subscription contracts were \$122.3 million, of which the Company expects to recognize approximately 89% as revenue over the next 12 months and the remainder thereafter.

Deferred Contract Acquisition Costs

Deferred contract acquisition costs represent gross deferred contract acquisition costs less accumulated amortization. Sales commissions earned by the Company's sales force, as well as related payroll taxes, are considered to be incremental and recoverable costs of obtaining a contract with a customer. As a result, these amounts have been capitalized as deferred contract acquisition costs within prepaid and other current assets and other assets on the consolidated balance sheets.

Deferred contract acquisition costs are amortized over a period of benefit of three years. The period of benefit was estimated by considering factors such as historical customer attrition rates, the useful life of the Company's technology, and the impact of competition in the software-as-a-service industry.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the activity of deferred contract acquisition costs (in thousands):

	Year Ended January 31,	
	2021	2020
Beginning balance	\$ 6,107	\$ 2,071
Capitalization of contract acquisition costs	10,065	5,643
Amortization of deferred contract acquisition costs	(4,079)	(1,607)
Ending balance	<u>\$ 12,093</u>	<u>\$ 6,107</u>
Deferred contract acquisition costs, current	\$ 5,742	\$ 2,692
Deferred contract acquisition costs, noncurrent	6,351	3,415
Total deferred contract acquisition costs	<u>\$ 12,093</u>	<u>\$ 6,107</u>

Note 4. Fair Value Measurements

The following table summarizes, for assets and liabilities measured at fair value, the respective fair value and classification by level of input within the fair value hierarchy (in thousands):

	As of January 31, 2021			
	Level 1	Level 2	Level 3	Total
Current Assets				
Cash equivalents				
Money market funds	\$ 207,187	\$ —	\$ —	\$ 207,187
Commercial paper	—	2,230	—	2,230
Certificates of deposit	—	1,050	—	1,050
Total cash equivalents	<u>\$ 207,187</u>	<u>\$ 3,280</u>	<u>\$ —</u>	<u>\$ 210,467</u>
Marketable securities				
Commercial paper	\$ —	\$ 43,159	\$ —	\$ 43,159
U.S. treasury bonds	40,245	—	—	40,245
Corporate bonds	—	40,286	—	40,286
Certificate of deposit	—	2,706	—	2,706
Total marketable securities	<u>\$ 40,245</u>	<u>\$ 86,151</u>	<u>\$ —</u>	<u>\$ 126,396</u>
Non-current Assets				
Corporate bonds	—	19,125	—	19,125
Total assets	<u>\$ 247,432</u>	<u>\$ 108,556</u>	<u>\$ —</u>	<u>\$ 355,988</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	As of January 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents				
Money market funds	\$ 610	\$ —	\$ —	\$ 610
Total cash equivalents	\$ 610	\$ —	\$ —	\$ 610
Marketable securities				
Commercial paper	\$ —	\$ 16,452	\$ —	\$ 16,452
U.S. treasury bonds	17,590	—	—	17,590
Corporate bonds	—	11,246	—	11,246
Total marketable securities	17,590	27,698	—	45,288
Total assets	\$ 18,200	\$ 27,698	\$ —	\$ 45,898

There were no transfers of financial assets or liabilities into or out of Level 3 during the years ended January 31, 2021 and 2020.

The following table summarizes the change in the redeemable convertible preferred stock warrant liability (in thousands):

	Amount
Balance as of January 31, 2019	\$ 94
Adjustment resulting from change in fair value recognized in the consolidated statement of operations	117
Exercise of redeemable convertible preferred stock warrants	(211)
Balance as of January 31, 2020	\$ —

The following table summarizes the Company's investments in marketable securities on the consolidated balance sheets (in thousands):

	As of January 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Current Assets				
Commercial paper	\$ 43,158	\$ 2	\$ (1)	\$ 43,159
U.S. treasury bonds	40,236	9	—	40,245
Corporate bonds	40,278	9	(1)	40,286
Certificates of deposit	2,705	1	—	2,706
Total marketable securities	\$ 126,377	\$ 21	\$ (2)	\$ 126,396
Non-current Assets				
Corporate bonds	19,120	8	(3)	19,125
Total assets	\$ 145,497	\$ 29	\$ (5)	\$ 145,521

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	As of January 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	\$ 16,452	\$ —	\$ —	\$ 16,452
U.S. treasury bonds	17,571	19	—	17,590
Corporate bonds	11,237	9	—	11,246
Total marketable securities	<u>\$ 45,260</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ 45,288</u>

In January 2020 and June 2020, the Company issued convertible notes to a trust affiliated with the Company's CEO. The fair values of the convertible notes at issuance on January 30, 2020 and June 26, 2020 were \$203.0 million and \$112.0 million, respectively. There were no significant changes in fair value between January 30, 2020 and January 31, 2020. At January 31, 2021, the fair value of the convertible notes issued in January 2020 and in June 2020 were \$399.1 million and \$202.7 million, respectively. The Company considers the fair values of the convertible notes to be Level 3 measurements as the fair value is estimated using significant unobservable inputs. The fair values of the convertible notes were measured using a binomial lattice model. Inputs used to determine the estimated fair values of the convertible notes include equity volatility of comparable companies, risk-free interest rate, and estimated fair value of the Company's common stock. Certain unobservable inputs used in the fair value measurements of the convertible notes include assumptions related to future liquidity events. See Note 6, "Convertible Notes—Related Party," for further discussion.

Note 5. Balance Sheet Components***Property and Equipment, Net***

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

	As of January 31,	
	2021	2020
Desktop and other computer equipment	\$ 2,229	\$ 2,530
Furniture and fixtures	2,012	1,857
Leasehold improvements	13,686	12,047
Capitalized internal-use software	10,498	9,341
Construction in progress	68,409	3,871
Total gross property and equipment	96,834	29,646
Less: Accumulated depreciation and amortization	(22,398)	(19,546)
Total property and equipment, net	<u>\$ 74,436</u>	<u>\$ 10,100</u>

Depreciation and amortization expense for the years ended January 31, 2021, 2020, and 2019 was \$3.5 million, \$2.2 million, and \$4.2 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The changes in the carrying value of capitalized internal-use software costs for the periods presented below are as follows (in thousands):

	<u>Amount</u>
Balance as of February 1, 2019	\$ 1,041
Capitalization of internal-use software costs	423
Amortization of internal-use software costs	(653)
Balance as of January 31, 2020	811
Capitalization of internal-use software costs	1,157
Amortization of internal-use software costs	(612)
Balance as of January 31, 2021	<u>\$ 1,356</u>

Prepaid Expenses and Other Current Assets

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

	<u>As of January 31,</u>	
	<u>2021</u>	<u>2020</u>
Prepaid expenses	\$ 16,696	\$ 10,479
Deferred contract acquisition costs, current	5,742	2,692
Other current assets	4,857	3,496
Total prepaid expenses and other current assets	<u>\$ 27,295</u>	<u>\$ 16,667</u>

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	<u>As of January 31,</u>	
	<u>2021</u>	<u>2020</u>
Accrued payroll liabilities	10,607	\$ 3,479
Accrued taxes for fringe benefits	2,963	3,312
Accrued advertising expenses	7,020	1,627
Accrued property and equipment	4,715	484
Accrued consulting expenses	2,393	246
Other liabilities	13,918	9,093
Total accrued expenses and other current liabilities	<u>\$ 41,616</u>	<u>\$ 18,241</u>

Note 6. Convertible Notes—Related Party

In January 2020 and June 2020, the Company issued convertible promissory notes (collectively, “Convertible Notes”), as discussed below.

January 2020 Note

In January 2020, the Company issued a 3.5% unsecured senior mandatory convertible promissory note due in 2025 (“January 2020 Convertible Note”) in a private placement to an entity affiliated with the Company’s CEO. The January 2020 Convertible Note with a principal amount of \$300 million is a senior, unsecured obligation of the Company. The January 2020 Convertible Note does not contain any financial covenants or place any dividend restrictions on the Company. The January 2020 Convertible Note matures, and would be converted, on January 30, 2025 (“January 2020 Convertible Note Maturity Date”) unless earlier converted as discussed below or redeemed in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

connection with the Company's bankruptcy, insolvency, or other similar events. The January 2020 Convertible Note bears interest at a fixed rate of 3.5% per annum that will be compounded annually and payable in-kind, resulting in an aggregate \$356.3 million being due on settlement (the "January 2020 Convertible Note Settlement Amount").

The initial conversion rate is 31.6649 shares of the Company's Class B common stock per \$1,000 of the January 2020 Convertible Note Settlement Amount, which equates to a conversion price of \$31.58 of the January 2020 Convertible Note Settlement Amount per share. The initial conversion rate is subject to standard anti-dilution adjustments. The holder of the January 2020 Convertible Note is not entitled to convert the January 2020 Convertible Note at any time. The January 2020 Convertible Note is convertible at the option of the Company at any time until the close of business on the second scheduled trading day prior to the January 2020 Convertible Note Maturity Date during any calendar quarter beginning after the date of a public listing of the Company's Class A common stock on any national securities exchange under the following circumstances:

- if the closing price of the Company's Class A common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter equals or exceeds the conversion price (initially \$31.58); or
- upon the occurrence of specified corporate events as described in the January 2020 Convertible Note.

If the January 2020 Convertible Note is outstanding as of the January 2020 Convertible Note Maturity Date, it will automatically convert into an number of shares of Class A common stock of the Company at a conversion rate equal to the greater of (i) the initial conversion rate per \$1,000 of the January 2020 Convertible Note Settlement Amount, subject to standard anti-dilution adjustments, and (ii) the lesser of (a) \$1,000 divided by the volume-weighted average price of the Company's Class A common stock for the 20 trading days ending on the last trading day immediately preceding the January 2020 Convertible Note Maturity Date and (b) 50.6638 shares per each \$1,000 of the January 2020 Convertible Note Settlement Amount, subject to standard anti-dilution adjustments. In the event that a public listing of the Company's common stock has not occurred by the close of business on the second day prior to the January 2020 Convertible Note Maturity Date, the January 2020 Convertible Note shall convert into shares of the capital stock of the Company's most recent equity financing, at the lesser of (i) 50.6638 shares per each \$1,000 of the January 2020 Convertible Note Settlement Amount, subject to standard anti-dilution adjustments, and (ii) \$1,000 divided by the price per share at which such capital stock was sold in the most recent equity financing per each \$1,000 of the January 2020 Convertible Note Settlement Amount of the January 2020 Convertible Note.

The January 2020 Convertible Note was initially measured and recorded at fair value based on a binomial lattice model, including assumptions associated with the probability of future liquidity events. The excess \$97.0 million of the proceeds received from the issuance of the January 2020 Convertible Note over the fair value of the January 2020 Convertible Note was recorded as a capital contribution in additional paid-in capital. The difference between the par value of the January 2020 Convertible Note and the carrying amount represents the debt discount that is amortized to interest expense at an effective interest rate over the term of the January 2020 Convertible Note. Debt issuance costs for the January 2020 Convertible Note were not material.

June 2020 Note

In June 2020, the Company issued a 3.5% unsecured senior mandatory convertible promissory note due in 2025 ("June 2020 Convertible Note") in a private placement to an entity affiliated with the Company's CEO. The June 2020 Convertible Note with a principal amount of \$150 million is a senior, unsecured obligation of the Company. The June 2020 Convertible Note does not contain any financial covenants or place any dividend restrictions on the Company. The June 2020 Convertible Note matures, and would be converted, on June 26, 2025 ("June 2020 Convertible Note Maturity Date") unless earlier converted as discussed below or redeemed in connection with the Company's bankruptcy, insolvency, or other similar events. The June 2020 Convertible Note bears interest at a fixed rate of 3.5% per annum that will be compounded annually and payable in-kind, resulting in an aggregate \$178.2 million being due on settlement (the "June 2020 Convertible Note Settlement Amount").

The initial conversion rate is 32.1658 shares of the Company's Class B common stock per \$1,000 of the June 2020 Convertible Note Settlement Amount, which equates to a conversion price of \$31.09 of the June 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Convertible Note Settlement Amount per share. The initial conversion rate is subject to standard anti-dilution adjustments. The holder of the June 2020 Convertible Note is not entitled to convert the June 2020 Convertible Note at any time. The June 2020 Convertible Note is convertible at the option of the Company at any time until the close of business on the second scheduled trading day prior to the June 2020 Convertible Note Maturity Date during any calendar quarter beginning after the date of a public listing of the Company's Class A common stock on any national securities exchange under the following circumstances:

- if the closing price of the Company's Class A common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter equals or exceeds the conversion price (initially \$31.09); or
- upon the occurrence of specified corporate events as described in the June 2020 Convertible Note.

If the June 2020 Convertible Note is outstanding as of the June 2020 Convertible Note Maturity Date, it will automatically convert into an number of shares of Class A common stock of the Company at a conversion rate equal to the greater of (i) the initial conversion rate per \$1,000 of the June 2020 Convertible Note Settlement Amount, subject to standard anti-dilution adjustments, and (ii) the lesser of (a) \$1,000 divided by the volume-weighted average price of the Company's Class A common stock for the 20 trading days ending on the last trading day immediately preceding the June 2020 Convertible Note Maturity Date and (b) 51.4653 shares per each \$1,000 of the June 2020 Convertible Note Settlement Amount, subject to standard anti-dilution adjustments. In the event that a public listing of the Company's common stock has not occurred by the close of business on the second day prior to the June 2020 Convertible Note Maturity Date, the June 2020 Convertible Note shall convert into shares of the capital stock of the Company's most recent equity financing, at the lesser of (i) 51.4653 shares per each \$1,000 of the June 2020 Convertible Note Settlement Amount, subject to standard anti-dilution adjustments, and (ii) \$1,000 divided by the price per share at which such capital stock was sold in the most recent equity financing per each \$1,000 of the June 2020 Convertible Note Settlement Amount of the June 2020 Convertible Note.

The June 2020 Convertible Note was initially measured and recorded at fair value based on a binomial lattice model, including assumptions associated with the probability of future liquidity events. The excess \$38.0 million of the proceeds received from the issuance of the June 2020 Convertible Note over the fair value of the June 2020 Convertible Note was recorded as a capital contribution in additional paid-in capital. The difference between the par value of the June 2020 Convertible Note and the carrying amount represents the debt discount that is amortized to interest expense at an effective interest rate over the term of the June 2020 Convertible Note. Debt issuance costs for the June 2020 Convertible Note were not material.

The net carrying amount of the Convertible Notes was as follows (in thousands):

	<u>As of January 31, 2021</u>	<u>As of January 31, 2020</u>
Principal	450,000	\$ 300,000
Unamortized discount	(112,548)	(96,932)
Accrued interest expense	13,709	29
Net carrying amount	<u>\$ 351,161</u>	<u>\$ 203,097</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The principal amounts, maturity dates, range of shares potentially issuable at maturity, initial conversion price, and shares issuable at maturity for each of the 2020 Notes are presented below (in thousands, except share price):

	Aggregate Principal Amount	Maturity Date	Range of Shares Potentially Issuable at Maturity ⁽¹⁾	Initial Conversion Price ⁽¹⁾
January 2020 Convertible Note	\$ 300,000	1/30/2025	11,282 - 18,052	\$ 31.58
June 2020 Convertible Note	150,000	6/26/2025	5,731 - 9,169	31.09
Total	\$ 450,000		17,013 - 27,221	

¹ Subject to customary anti-dilution and other adjustments.

Interest expense related to the Convertible Notes was as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Amortization of debt discount	\$ 22,357	\$ 49	\$ —
Contractual interest expense	13,681	29	—
Total interest expense	\$ 36,038	\$ 78	\$ —

Note 7. Debt

In April 2020, the Company entered into a five-year \$40.0 million term loan agreement with Silicon Valley Bank. The agreement provides for a senior secured term loan facility, in an aggregate principal amount of up to \$40.0 million to be used for the construction of the Company's new corporate headquarters. Interest will accrue on any outstanding balance at a floating rate per annum equal to the prime rate (per the Wall Street Journal) plus an applicable margin equal to either (a) 0% if the Company's unrestricted cash at the lender is equal to or less than \$80.0 million, or (b) (0.5)% if the Company's unrestricted cash at the lender is between \$80.0 million and \$100.0 million, or (c) (1.0)% if the Company's unrestricted cash balance at the lender is equal to or greater than \$100.0 million. Interest shall be payable monthly.

The Credit Agreement contains certain customary affirmative and negative covenants, including maintaining Remaining Month Liquidity ("RML") of at least six at all times, with an unrestricted cash bank of \$60 million. RML is defined as the ratio of (i) unrestricted cash at Silicon Valley Bank, plus (ii) the aggregate amount of unrestricted cash held by the Company in deposit accounts in which Silicon Valley Bank obtains control, divided by (iii) the average monthly burn on a trailing six-month basis. Other negative covenants include a limit on the Company's ability to incur additional indebtedness, dispose of assets, engage in certain merger or acquisition transactions, pay dividends or make distributions, and certain other restrictions on the Company's activities each defined specifically in the agreement.

As of January 31, 2021, \$31.0 million was drawn and outstanding under this term loan. As of January 31, 2021, the Company was in compliance with all financial covenants related to the term loan.

The net carrying amount of the term loan was as follows (in thousands):

Principal	\$ 31,000
Accrued Interest	44
Unamortized loan issuance costs	(71)
Net carrying amount	\$ 30,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Term loan, current	\$	1,465
Term loan, noncurrent	\$	29,508

Note 8. Commitments and Contingencies***Standby Letters of Credit***

As of January 31, 2021 and 2020, the Company had several letters of credit outstanding related to its operating leases totaling \$21.7 million and \$4.7 million, respectively. The letters of credit expire at various dates between 2021 and 2034 as of January 31, 2021 and between 2021 to 2023 as of January 31, 2020. None and \$4.7 million of the standby letters of credit are included in restricted cash, noncurrent as of January 31, 2021 and 2020, respectively.

Purchase Commitments

In January 2021, the Company entered into a 60-month contract with Amazon Web Services for hosting-related services. Pursuant to the terms of the contract, the Company is required to spend a minimum of \$103.5 million over the term of the agreement, including \$18.0 million within the first year. As of January 31, 2021, the Company had \$103.5 million remaining on the commitment.

Capital Commitments

During the year ended January 31, 2021, the Company entered into multiple agreements with a construction company related to the build-out of the Company's new corporate headquarters (see Note 9, "Leases"). The cumulative contract value is \$71.1 million, and as of January 31, 2021, \$32.3 million remains unpaid under these agreements, of which \$9.5 million has been recorded on the Company's consolidated balance sheet within accounts payable or accrued expenses and other liabilities.

Indemnification Agreements

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against any liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual.

Additionally, in the ordinary course of business, the Company enters into agreements of varying scope and terms pursuant to which it agrees to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. For the years ended January 31, 2021 and 2020, no demands have been made upon the Company to provide indemnification under such agreements, and there are no claims that the Company is aware of that could have a material adverse effect on its financial position, results of operations, or cash flows.

Contingencies

From time to time in the normal course of business, the Company may be subject to various claims and other legal matters arising in the ordinary course of business. As of January 31, 2021 and 2020, the Company believes that none of its current legal proceedings would have a material adverse effect on its financial position, results of operations, or cash flows.

Note 9. Leases

The Company leases real estate facilities under non-cancelable operating leases with various expiration dates through fiscal 2034. The Company has no lease agreements that are classified as finance leases.

Rent expense, net of sublease income under ASC 840 was \$5.8 million for the year ended January 31, 2019.

The components of lease costs, lease term, and discount rate for operating leases are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended January 31,	
	2021	2020
Operating lease costs (in thousands)	\$ 25,192	\$ 8,306
Short-term lease costs (in thousands)	3,464	1,979
Variable lease costs (in thousands)	1,553	122
Total lease costs	\$ 30,209	\$ 10,407
Weighted-average remaining lease term (in years)	12.1	2.2
Weighted-average discount rate	9.5 %	3.4 %

Supplemental cash flow information related to operating leases are as follows (in thousands):

	Year Ended January 31,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 12,337	\$ 8,203
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 177,716	\$ 11,739

Future minimum lease payments (net of tenant improvement receivables) under non-cancelable operating leases with initial lease terms in excess of one year included in the Company's lease liabilities as of January 31, 2021, are as follows (in thousands):

Year Ending January 31:	Operating Lease Payments
2022	\$ 10,174
2023	29,331
2024	27,707
2025	27,757
2026 and thereafter	281,347
Total undiscounted operating lease payments	376,316
Less: imputed interest	(171,128)
Total operating lease liabilities	\$ 205,188

The Company has an operating lease arrangement for office space in San Francisco, which commenced in May 2020 and expires in October 2033. As part of the agreement, the Company was required to issue a \$17.0 million letter of credit upon access to the office space, which occurred in the year ended January 31, 2021. The Company participated in the construction of the office space and has incurred construction costs to prepare the office space for its use, which will be partially reimbursed by the landlord. During the year ended January 31, 2021, all three phases of this lease commenced, and as a result, the Company recognized total ROU assets of \$175.5 million, with corresponding operating lease liabilities of \$173.4 million, on the consolidated balance sheet as of the respective commencement dates of the three phases. The Company expects to incur a total of approximately \$404.1 million of future minimum payments and capital commitments, net of tenant improvement receivables as of January 31, 2021, inclusive of \$363.7 million of net lease payments included in the future minimum lease payments table above and the remaining capital commitments related to the build-out of the Company's new corporate headquarters referenced in Note 8. "Commitments and Contingencies".

Additionally, in April 2020, the Company amended the lease arrangement to include a fee for access to additional shared space, for which future payments total \$3.9 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Net Loss per Share

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

	Year Ended January 31,		
	2021	2020	2019
Numerator:			
Net loss	\$ (211,710)	\$ (118,589)	\$ (50,928)
Denominator:			
Weighted-average shares used in calculating net loss per share, basic and diluted	106,344	70,335	65,214
Net loss per share, basic and diluted	\$ (1.99)	\$ (1.69)	\$ (0.78)

The potential shares of common stock that were excluded from the computation of diluted net loss per share for the period presented because including them would have been anti-dilutive are as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Redeemable convertible preferred stock	—	73,577	73,547
Stock options	22,340	34,517	33,878
Restricted stock units	8,199	91	—
Early exercised stock options	714	1,393	781
Shares issuable pursuant to the 2020 Employee Stock Purchase Plan	185	—	—
Redeemable convertible preferred stock warrants	—	—	37
Total	31,438	109,578	108,243

Additionally, 17,012,822, 18,051,810, and zero shares of the Company's Class B common stock underlying the conversion option in the Convertible Notes are not considered in the calculation of diluted net loss per share as the effect would be anti-dilutive for the years ended January 31, 2021, 2020 and 2019.

Note 11. Stockholders' Deficit***Common Stock***

There are two classes of common stock that total 1,500,000,000 authorized shares: 1,000,000,000 authorized shares of Class A common stock and 500,000,000 authorized shares of Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share and is convertible into one share of Class A common stock. There are 82,688,655 shares of Class A common stock and 78,791,452 shares of class B common stock issued and outstanding as of January 31, 2021. There are 15,498,109 shares of Class A common stock and 61,189,400 shares of Class B common stock issued and outstanding as of January 31, 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Redeemable Convertible Preferred Stock

Prior to the completion of the Direct Listing in September 2020, all shares of redeemable convertible preferred stock then outstanding were converted into 73,577,455 shares of Class B common stock.

The following table summarizes the Company's redeemable convertible preferred stock as of January 31, 2020 (in thousands, except per share amounts):

	Shares Authorized	Shares issued and Outstanding	Per Share Price at Issuance	Carrying Value	Liquidation Preference
Series 1	1,560	1,560	\$ —	\$ 5	\$ —
Series A	20,771	20,771	0.51	10,416	10,512
Series A-1	20,771	—	—	—	—
Series B	11,000	10,478	2.71	28,404	28,375
Series B-1	11,000	—	—	—	—
Series C	21,000	20,186	4.27	85,980	86,112
Series C-1	21,000	—	—	—	—
Series D	15,000	14,353	5.23	74,845	75,000
Series D-1	15,000	—	—	—	—
Series E	7,000	6,230	8.19	50,931	51,000
Series E-1	7,000	—	—	—	—
	<u>151,101</u>	<u>73,577</u>		<u>\$ 250,581</u>	<u>\$ 250,999</u>

Note: Certain figures may not sum due to rounding.

Series B Redeemable Convertible Preferred Stock Warrants

In connection with the revision and extension of the Company's corporate headquarters office lease agreement in November 2012, the Company issued fully exercisable redeemable convertible preferred stock warrants to purchase 36,928 shares of the Company's Series B redeemable convertible preferred stock at a price of \$2.71. The change in fair value of the redeemable convertible preferred stock warrant liability was less than \$0.1 million for both years ended January 31, 2020 and 2019.

In November 2019, the redeemable convertible preferred stock warrants were net exercised, under which the number of issuable shares was reduced by the number of shares with an aggregate fair value equal to the exercise price of the warrant, resulting in 6,322 shares surrendered and 30,606 shares of Series B redeemable convertible preferred stock issued. There were no redeemable convertible preferred stock warrants outstanding as of January 31, 2021 or 2020.

Stock Plans

The Company has a 2009 Stock Plan (the "2009 Plan"), a 2012 Stock Plan (the "2012 Plan"), and a 2020 Equity Incentive Plan ("the 2020 Plan"). Each plan was initially established to grant equity awards to employees and consultants of the Company to assist in attracting, retaining, and motivating employees and consultants and to provide incentives to promote the success of the Company's business.

Options granted under each of the plans may be either incentive stock options ("ISOs") or nonqualified stock options ("NSOs"). ISOs may be granted only to Company employees (including officers and directors who are also employees). NSOs may be granted to Company employees and consultants. Options under the 2012 Plan and 2020 Plan may be granted for periods of up to 10 years. The exercise price of an ISO and NSO shall not be less than

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

100% of the estimated fair value of the shares on the date of grant as determined by the Board of Directors. Options granted generally vest over four years and vest at a rate of 25% upon the first anniversary of the vesting commencement date and 1/48 per month thereafter.

The Company has also issued RSUs pursuant to the 2012 Plan and 2020 Plan. RSUs granted vest over four years, and generally vest at either at a predefined rate of 25% upon the first anniversary of the vesting commencement date and continued vesting quarterly thereafter, or even on a quarterly basis over the service period.

Shares of common stock purchased under each of the plans are subject to certain restrictions and repurchase rights, including the right of first refusal by the Company for sale or transfer of shares to outside parties.

Stock Options

Option activity under the Company's combined stock plans is set forth below (in thousands, except years and per share data):

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual (in years)	Aggregate Intrinsic Value
Balances at January 31, 2020.....	34,517	2.55	7.4	\$ 362,046
Options granted.....	17	13.04		
Options exercised.....	(11,012)	1.86		
Options cancelled.....	(1,182)	3.48		
Balance as of January 31, 2021.....	22,340	\$ 2.85	6.9	\$ 726,455
Vested and exercisable at January 31, 2021.....	12,235	\$ 2.03	6.1	\$ 407,889
Vested and expected to vest at January 31, 2021.....	23,054	\$ 2.89	7.0	\$ 748,786

The weighted-average grant-date fair value of options granted and the total intrinsic value of options exercised during the periods presented were as follows:

	Year Ended January 31,		
	2021	2020	2019
Weighted-average grant-date fair value per share.....	\$ 6.77	\$ 3.24	\$ 1.23
Aggregate intrinsic value of options exercised (in thousands).....	\$ 238,165	\$ 41,270	\$ 6,113

Early Exercise of Employee Options

The 2009 Plan and 2012 Plan allow for the early exercise of stock options. The consideration received for an early exercise of an option is considered to be a deposit of the exercise price, and the related dollar amount is recorded as a liability and reflected in accrued expenses and other current liabilities and other liabilities in the consolidated balance sheets. This liability is reclassified to additional paid-in capital as the awards vest. If a stock option is early exercised, the unvested shares may be repurchased by the Company in case of employment termination at the price paid by the purchaser for such shares. Shares that were subject to repurchase totaled 714,355 and 1,393,024 as of January 31, 2021 and 2020, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Determination of Fair Values

The assumptions used in the Black-Scholes pricing model for stock-based compensation for options granted in the periods below were as follows:

	Year Ended January 31,		
	2021	2020	2019
Risk-free interest rate.....	1.2 %	1.8% -2.6%	2.8% - 3.1%
Expected term.....	8 years	8 years	8 years
Dividend yield.....	— %	— %	— %
Expected volatility.....	44.6 %	44.8% - 46.3%	41.6% - 46.6%

Restricted Stock Units

The Company's RSU activity is set forth below (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
RSUs at January 31, 2020.....	91	\$ 10.10	\$ 1,186
RSUs granted.....	8,771	18.83	
RSU vested.....	(402)	15.64	
RSU cancelled/forfeited.....	(261)	15.18	
Unvested RSU at January 31, 2021.....	8,199	19.01	\$ 289,987
RSUs vested, not yet released.....	157	13.43	

Stock-Based Compensation Expense

Stock-based compensation for stock-based awards to employees and non-employees in the Company's consolidated statements of operations for the periods below were as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Cost of revenues.....	\$ 305	\$ 103	\$ 37
Research and development.....	18,606	24,869	5,160
Sales and marketing.....	9,387	10,177	2,108
General and administrative.....	5,927	13,237	1,242
Total stock-based compensation expense.....	\$ 34,225	\$ 48,386	\$ 8,547

The stock-based compensation expense related to options granted to non-employees for the years ended January 31, 2021 and 2020 was not material.

Total unrecognized compensation costs related to unvested awards not yet recognized under all equity compensation plans was as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	As of January 31, 2021	
	Unrecognized Expense (in thousands)	Weighted-Average Expected Recognition Period (in years)
Stock options	\$ 24,881	2.3
RSUs	144,622	3.6
Total unrecognized stock-based compensation expense	<u>\$ 169,503</u>	<u>3.4</u>

	As of January 31, 2020	
	Unrecognized Expense (in thousands)	Weighted-Average Expected Recognition Period (in years)
Stock options	\$ 39,945	3.0
RSUs	884	3.9
Total unrecognized stock-based compensation expense	<u>\$ 40,829</u>	<u>3.0</u>

Fiscal 2019 Tender Offer

In April 2018, the Board of Directors approved a plan for a private trust, whose sole trustee and grantor is the Company's founder and CEO, to purchase shares of the Company's Class A and Class B common stock from certain current and former employees of the Company. The tender offer closed in May 2018, at which time the Company recorded \$3.8 million as compensation expense related to the excess of the selling price per share of common stock paid to the Company's employees and former employees over the fair value of the tendered shares. This amount is included in the total stock-based compensation expense shown in the table above for the year ended January 31, 2019. A total of 1,500,814 shares were tendered in the offer for an aggregate purchase price of \$7.1 million.

Fiscal 2020 Tender Offer

In October 2019, certain of the Company's stockholders conducted a tender offer for shares of the Company's outstanding Class A and Class B common stock and purchased an aggregate of 4,647,127 shares of the Company's outstanding Class A and Class B common stock from certain other stockholders at a purchase price of \$15.82 per share, for an aggregate purchase price of \$73.5 million, resulting in stock-based compensation expense of \$38.7 million for the excess of the selling price per share of common stock over the fair value of the tendered shares. This amount is included in the total stock-based compensation expense shown in the table above for the year ended January 31, 2020.

2020 Employee Stock Purchase Plan

In September 2020, the Board of Directors adopted and approved the ESPP, which became effective on the effective date of the Company's registration statement on Form S-1 filed with the SEC in connection with the Direct Listing. The ESPP initially reserved and authorized the issuance of up to a total of 2,000,000 shares of Class A common stock to participating employees.

The initial offering period began September 30, 2020 and will end on September 15, 2022, with purchase dates of March 15, 2021, September 15, 2021, March 15, 2022, and September 15, 2022. The ESPP provides for 24-month offering periods beginning September 16 and March 16 of each year, with each offering period consisting of four six-month purchase periods, except for the initial offering period which began on September 30, 2020 and will end on September 15, 2022. The purchase price of shares of Class A common stock under an offering will be the lesser of: (i) 85% of the fair market value of such shares of Class A common stock on the offering date, and (ii) 85% of the fair market value of such shares of Class A common stock on the applicable purchase date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Current employees who purchase shares under the ESPP may not sell such shares prior to the first anniversary of such purchase date and such shares will be designated with an applicable resale restriction. As of January 31, 2021, no shares have been purchased under the ESPP.

During the year ended January 31, 2021, the Company recognized \$4.2 million of stock-based compensation expense related to ESPP and withheld \$4.5 million in contributions from employees. As of January 31, 2021, total unrecognized compensation costs related to the 2020 ESPP was \$7.0 million, which will be amortized over a weighted average period of 1.06 years.

The following assumptions were used to calculate the fair value of shares to be granted under the ESPP during the period:

	<u>Year Ended January 31,</u> <u>2021</u>
Risk-free interest rate.....	0.1 %
Expected term.....	0.5 - 2.0 years
Dividend yield.....	— %
Expected volatility.....	50.8% - 55.3%

Note 12. Employee Benefit Plans

In January 2011, the Company adopted a defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan covers all employees within the United States who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company's contributions to the plan may be made at the discretion of the Board of Directors. There have been no contributions to the plan by the Company since the inception of the plan as of January 31, 2021. Additionally, the Company engages in required pension plans of respective countries in which operations exist.

Note 13. Interest Income and Other Income (Expense), Net

Interest income and other income (expense), net consist of the following (in thousands):

	<u>Year Ended January 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest income	\$ 956	\$ 1,755	\$ 1,290
Unrealized gains (losses) on foreign currency transactions	642	(112)	(2)
Other non-operating expense	(30)	(278)	(175)
	<u>\$ 1,568</u>	<u>\$ 1,365</u>	<u>\$ 1,113</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Income Taxes

The components of the provision for income taxes were as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Current:			
United States	\$ —	\$ —	\$ —
State	73	—	—
Foreign	1,226	245	28
Total current:	\$ 1,299	\$ 245	\$ 28
Deferred:			
United States	\$ —	\$ —	\$ —
State	—	—	—
Foreign	234	—	—
Total deferred	234	—	—
Total provision for income taxes	\$ 1,533	\$ 245	\$ 28

The components of income/(loss) before income taxes were as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
United States	\$ (214,540)	\$ (119,302)	\$ (51,102)
Foreign	4,363	958	202
Total	\$ (210,177)	\$ (118,344)	\$ (50,900)

The reconciliation between the statutory federal income tax and the Company's effective tax rates as a percentage of loss before income taxes were as follows:

	Year Ended January 31,		
	2021	2020	2019
Federal tax rate	21.0 %	21.0 %	21.0 %
Stock-based compensation expense	16.3	3.8	(0.7)
Change in valuation allowance	(34.0)	(27.6)	(22.8)
Transaction costs	(1.8)	—	—
Research and development credits	1.9	3.1	3.1
Convertible debt interest	(3.6)	—	—
Other	(0.5)	(0.5)	(0.5)
Effective income tax rate	(0.7)%	(0.2)%	0.1 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The major components of deferred tax assets (liabilities) were as follows (in thousands):

	As of January 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 152,514	\$ 78,498
Research and development tax credits	21,704	15,112
Depreciation and amortization	—	1,206
Stock-based compensation	4,622	905
Reserves and accrued expenses	1,181	59
Operating lease liabilities	49,757	4,213
Total deferred tax assets	229,778	99,993
Valuation allowance	(182,573)	(96,149)
Net deferred tax assets	47,205	3,844
Deferred tax liabilities:		
Right of use asset	(44,225)	(3,844)
Deferred commissions	(1,970)	—
Depreciation and amortization	(1,245)	—
Total deferred tax liabilities	(47,440)	(3,844)
Net deferred tax liabilities	\$ (235)	\$ —

The valuation allowance increased by \$86.4 million, \$39.0 million, and \$13.7 million during the years ended January 31, 2021, 2020, and 2019, respectively. The increase in the valuation allowance during the years ended January 31, 2021, 2020, and 2019 was primarily driven by losses and tax credits generated in the United States. As of January 31, 2021, 2020, and 2019, the Company believes it is not more likely than not that the deferred tax assets will be fully realizable and continues to maintain a full valuation allowance against its net deferred tax assets.

As of January 31, 2021, the Company had federal and state net operating loss carryforwards of \$622.7 million and \$328.8 million, respectively. The federal and state net operating losses, if not used, will begin to expire in 2029. Federal net operating losses generated after January 31, 2018 will carry forward indefinitely.

As of January 31, 2021, the Company has federal and California research and development tax credit carryforwards of \$17.5 million and \$14.0 million, respectively, to offset future taxable income. The federal research and development tax credits, if not used, will begin to expire in 2030, while the state tax credit carryforwards may be carried forward indefinitely.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. Under Section 382 of the Internal Revenue Code of 1986, as amended, the Company's ability to utilize net operating loss carryforwards or other tax attributes in any taxable year may be limited if the Company has experienced an "ownership change." Generally, a Section 382 "ownership change" occurs if one or more stockholders or groups of stockholders who owns at least 5% of a corporation's stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a specified testing period. Similar rules may apply under state tax laws. The Company has completed a Section 382 study of transactions in its stock. The study concluded that the Company has experienced ownership changes since inception and that its utilization of net operating loss carryforwards will be subject to annual limitations. However, it is not expected that the annual limitations will result in the expiration of tax attribute carryforwards prior to utilization.

Foreign withholding taxes have not been provided for the cumulative undistributed earnings of the Company's foreign subsidiaries as of January 31, 2021 due to the Company's intention to permanently reinvest such earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No liability related to uncertain tax positions is recorded in the financial statements due to the fact the liabilities have been netted against deferred attribute carryovers.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits was as follows (in thousands):

	As of January 31,	
	2021	2020
Balance at the beginning of the year	\$ 5,438	\$ 3,261
Increases - current period tax positions	2,795	2,177
Decreases - prior period tax positions	(370)	—
Balance at the end of the year	<u>\$ 7,863</u>	<u>\$ 5,438</u>

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the Company's provision for income taxes. The Company had no accrued interest and penalties related to unrecognized tax benefits as of January 31, 2021 or January 31, 2020. As of January 31, 2021, there are no unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate. The Company does not expect that its uncertain tax positions will materially change in the next 12 months.

The Company files federal and state tax returns in the United States and in various foreign jurisdictions. The Company's tax years since inception are open to examination by federal and state taxing authorities, and the tax years 2014 and forward remain open in various foreign jurisdictions.

Note 15. Geographic Information

The following tables set forth revenues and long-lived assets, including operating lease ROU assets, by geographic area for the periods presented below (in thousands):

Revenues

	Year Ended January 31,		
	2021	2020	2019
United States	\$ 131,534	\$ 84,029	\$ 46,221
International	95,470	58,577	30,549
	<u>\$ 227,004</u>	<u>\$ 142,606</u>	<u>\$ 76,770</u>

Revenues by geography are based on the billing address of the customer.

Long-Lived Assets

	As of January 31,	
	2021	2020
United States	\$ 252,521	\$ 23,913
International	4,839	7,005
	<u>\$ 257,360</u>	<u>\$ 30,918</u>

Note 16. Related Party Transactions

In January 2018, the Company entered into a convertible note purchase agreement with an entity affiliated with its CEO. Pursuant to the original terms of this convertible note purchase agreement, the Company had the right to sell convertible promissory notes of the Company having an aggregate principal amount of up to \$75 million from time to time until January 19, 2023. In May 2019, the Company amended the convertible note purchase agreement by increasing the available aggregate principal amount to \$125 million. The Company has not issued any convertible promissory notes pursuant to this convertible note purchase agreement. Subsequently, in connection with the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

issuance of the January 2020 Convertible Note described in Note 6, “Convertible Notes—Related Party,” this note agreement was terminated.

In January and June 2020, the Company issued Convertible Notes to a trust affiliated with the Company’s CEO. See Note 6, “Convertible Notes—Related Party” for further details.

During the year ended January 31, 2020, the Company began leasing certain office facilities from a company affiliated with a Board member of the Company. Rent payments made under these leases totaled \$2.2 million and \$0.7 million for the years ended January 31, 2021 and 2020, respectively. The affiliated company is also a customer of the Company, and the Company had outstanding receivables from the affiliated company of \$0.1 million as of January 31, 2021. The Company did not have an outstanding receivable balance from the affiliated company as of January 31, 2020.

The Company has entered into an advertising agreement with a company affiliated with a Board member of the Company. Payments under this agreement totaled of \$0.3 million and less than \$0.1 million for the years ended January 31, 2021 and 2020, respectively.

The Company has entered into various recurring subscription agreements with a company affiliated with a Board member of the Company. The Company recognized revenue of \$0.2 million and \$0.1 million under these subscription agreements for the years ended January 31, 2021 and 2020, respectively, and had outstanding receivables of \$0.4 million and less than \$0.1 million as of January 31, 2021 and 2020, respectively.

The Company has entered into recurring subscription agreements with a total contract value of \$1.2 million for the year ended January 31, 2020, with a company affiliated with a Board member of the Company. The Company recognized revenues of \$0.4 million during the year ended January 31, 2020. Subsequent to January 31, 2020, the Board member of the Company was no longer affiliated with this company.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm as permitted in this transition period under the rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended January 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Item 9B. Other Information

Not applicable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers and Directors

We maintain a code of business conduct and ethics that incorporates our code of ethics applicable to our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our code of business conduct and ethics is available under the Corporate Governance section of our Investor Relations website at investors.asana.com. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waiver from, a provision of our code of business conduct and ethics by posting such information on the website address and location specified above.

The remaining information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein.

(3) Exhibits

The documents listed in the following Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Exhibit Title	Form	File Number	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation of the Registrant	8-K	001-39495	3.1	September 21, 2020
3.2	Restated Bylaws of the Registrant	8-K	001-39495	3.2	September 21, 2020
4.2	Omnibus Amendment to Financing Agreements	S-1	333-248303	4.3	September 9, 2020
4.3*	Description of Securities				
10.1	Form of Indemnification Agreement entered into between the Registrant and each of its directors and	S-1	333-248303	10.1	August 24, 2020
10.2	2009 Stock Plan, as amended, and forms of agreement thereunder	S-1	333-248303	10.2	August 24, 2020
10.3	Amended and Restated 2012 Stock Plan, and forms of agreement thereunder	S-1	333-248303	10.3	August 24, 2020
10.4	2020 Equity Incentive Plan, and forms of agreement thereunder	S-1	333-248303	10.4	August 24, 2020
10.5*	2020 Equity Incentive Plan - Form of RSU Grant Notice and Award Agreement (No Holding Period) (Hybrid)				
10.6*	2020 Equity Incentive Plan - Form of RSU Grant Notice and Award Agreement (One- or Two-Year Holding Period) (Hybrid)				
10.7	2020 Employee Stock Purchase Plan	S-1	333-248303	10.5	August 24, 2020
10.8*#	Non-Employee Director Compensation Policy				
10.9*	Directors Deferred Compensation Plan				
10.10*	Asana France SAS Equity Sub-Plan and Form of RSU Grant Notice and Award Agreement				
10.11#	Executive Severance and Change in Control Benefit	S-1	333-248303	10.7	August 24, 2020
10.12#	Offer Letter between Dustin Moskowitz and the Registrant, dated August 20, 2020	S-1	333-248303	10.8	August 24, 2020
10.13#	Offer Letter between Eleanor Lacey and the Registrant, dated August 21, 2020	S-1	333-248303	10.9	August 24, 2020
10.14#	Offer Letter between Tim Wan and the Registrant, dated August 20, 2020	S-1	333-248303	10.10	August 24, 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10.15#	Offer Letter between Chris Farinacci and the Registrant, dated August 20, 2020	S-1	333-248303	10.11	August 24, 2020
21.1*	List of subsidiaries				
23.1*	Consent of Independent Registered Public Accounting Firm				
24.1*	Power of Attorney (included in the signature pages attached to this Annual Report on Form 10-K)				
31.1*	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.				
31.2*	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.				
32.1†	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	The cover page from the Registrant's Annual Report on Form 10-K for the year ended January 31, 2021, has been formatted in Inline XBRL				

* Filed herewith.

Indicates a management contract or compensatory plan or arrangement

† The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K.

Item 16. Form 10K Summary

None.

ASANA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIGNATURES

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

ASANA, INC.

March 30, 2021

By: /s/ Dustin Moskowitz

Dustin Moskowitz

President and Chief Executive Officer

(Principal Executive Officer)

March 30, 2021

By: /s/ Tim Wan

Tim Wan

Chief Financial Officer

(Principal Financial Officer)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dustin Moskowitz, Tim Wan, and Eleanor Lacey, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Company and in the capacities and on the dates indicated:

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Dustin Moskowitz</u> Dustin Moskowitz	President, Chief Executive Officer, and Chair <i>(Principal Executive Officer)</i>	March 30, 2021
<u>/s/ Tim Wan</u> Tim Wan	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	March 30, 2021
<u>/s/ Sydney Carey</u> Sydney Carey	Director	March 30, 2021
<u>/s/ Matthew Cohler</u> Matthew Cohler	Director	March 30, 2021
<u>/s/ Adam D'Angelo</u> Adam D'Angelo	Director	March 30, 2021
<u>/s/ Lorrie Norrington</u> Lorrie Norrington	Director	March 30, 2021
<u>/s/ Anne Raimondi</u> Anne Raimondi	Director	March 30, 2021
<u>/s/ Justin Rosenstein</u> Justin Rosenstein	Director	March 30, 2021