

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023  
OR

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

For the transition period from to  
Commission File Number: 001-37924

**BlackLine, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

46-3354276  
(I.R.S. Employer  
Identification Number)

21300 Victory Boulevard, 12th Floor  
Woodland Hills, CA 91367  
(Address of principal executive offices, including zip code)

(818) 223-9008  
(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
Common stock, par value \$0.01 per share	BL	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The number of shares of the registrant's common stock outstanding at October 31, 2023 was 61,269,812.

**BlackLine, Inc.**  
**Quarterly Report on Form 10-Q**  
**For the Quarterly Period Ended September 30, 2023**

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risk and uncertainties. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “would,” “continue,” “ongoing” or the negative of these terms or other comparable terminology. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements regarding future financial and operational performance; statements concerning growth strategies including acquisitions, extension of distribution channels and strategic relationships, product innovation, international expansion, customer growth and expansion, customer service initiatives, expectations regarding our acquisitions, expectations regarding contract size and increased focus on strategic products, expectations for hiring new talent; our ability to accurately forecast revenue and appropriately plan expenses and investments; the demand for and benefits from the use of our current and future solutions; market acceptance of our solutions; volatility and uncertainty in the banking and financial services sector; and changes in the competitive environment in our industry and the markets in which we operate and our liquidity and capital resources. These statements are based upon our historical performance and our current plans, estimates and expectations and are not a representation that such plans, estimates, or expectations will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith beliefs and assumptions as of that time with respect to future events and are subject to risks and uncertainty. If any of these risks or uncertainties materialize or if any assumptions prove incorrect, actual performance or results may differ materially from those expressed in or suggested by the forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainty, and assumptions that are difficult to predict, including those identified below, under “Part II-Other Information, Item 1A. Risk Factors” and elsewhere herein. Forward-looking statements should not be read as a guarantee of future performance or results, and you should not place undue reliance on such statements. Furthermore, we undertake no obligation to revise or update any forward-looking statements for any reason, except as required by applicable law.

Unless the context otherwise requires, the terms “BlackLine, Inc.,” “the Company,” “we,” “us” and “our” in this Quarterly Report on Form 10-Q refer to the consolidated operations of BlackLine, Inc. and its consolidated subsidiaries as a whole.

Part I. Financial Information

Item 1. Financial Statements

**BLACKLINE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(in thousands, except shares and par values)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 236,248	\$ 200,968
Marketable securities (amortized cost of \$926,620 and \$875,456 at September 30, 2023 and December 31, 2022, respectively)	925,721	874,083
Accounts receivable, net of allowances of \$4,434 and \$2,282 at September 30, 2023 and December 31, 2022, respectively	130,477	150,858
Prepaid expenses and other current assets	26,694	23,658
Total current assets	1,319,140	1,249,567
Capitalized software development costs, net	36,899	32,070
Property and equipment, net	15,289	19,811
Intangible assets, net	84,305	90,864
Goodwill	448,987	443,861
Operating lease right-of-use assets	19,937	14,708
Other assets	91,578	92,775
Total assets	\$ 2,016,135	\$ 1,943,656
<b>LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,802	\$ 14,964
Accrued expenses and other current liabilities	61,352	58,600
Deferred revenue, current	277,804	279,325
Finance lease liabilities, current	930	989
Operating lease liabilities, current	4,065	5,943
Convertible senior notes, net, current	248,904	—
Contingent consideration, current	8,000	8,000
Total current liabilities	605,857	367,821
Finance lease liabilities, noncurrent	109	785
Operating lease liabilities, noncurrent	16,399	9,292
Convertible senior notes, net, noncurrent	1,139,539	1,384,306
Contingent consideration, noncurrent	—	33,549
Deferred tax liabilities, net	6,022	5,568
Deferred revenue, noncurrent	697	343
Other long-term liabilities	3,975	6,229
Total liabilities	1,772,598	1,807,893
Commitments and contingencies (Note 13)		
Redeemable non-controlling interest (Note 3)	27,806	23,895
Stockholders' equity:		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 61,268,312 and 60,016,824 issued and outstanding at September 30, 2023 and December 31, 2022, respectively	613	600
Additional paid-in capital	455,038	385,709
Accumulated other comprehensive loss	(1,159)	(1,472)
Accumulated deficit	(238,761)	(272,969)
Total stockholders' equity	215,731	111,868
Total liabilities, redeemable non-controlling interest, and stockholders' equity	\$ 2,016,135	\$ 1,943,656

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

**BLACKLINE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(in thousands, except per share data)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenues</b>				
Subscription and support	\$ 142,054	\$ 126,081	\$ 408,361	\$ 360,289
Professional services	8,654	8,187	25,905	22,692
Total revenues	<u>150,708</u>	<u>134,268</u>	<u>434,266</u>	<u>382,981</u>
<b>Cost of revenues</b>				
Subscription and support	30,793	25,544	89,935	75,495
Professional services	6,001	6,882	19,246	20,527
Total cost of revenues	<u>36,794</u>	<u>32,426</u>	<u>109,181</u>	<u>96,022</u>
<b>Gross profit</b>	<u>113,914</u>	<u>101,842</u>	<u>325,085</u>	<u>286,959</u>
<b>Operating expenses</b>				
Sales and marketing	61,576	64,540	186,256	190,567
Research and development	26,722	27,721	80,629	80,871
General and administrative	18,026	31,000	46,854	74,997
Restructuring costs	8,664	—	9,813	—
Total operating expenses	<u>114,988</u>	<u>123,261</u>	<u>323,552</u>	<u>346,435</u>
Income (loss) from operations	<u>(1,074)</u>	<u>(21,419)</u>	<u>1,533</u>	<u>(59,476)</u>
<b>Other income (expense)</b>				
Interest income	14,030	4,387	37,237	6,620
Interest expense	(1,489)	(1,482)	(4,414)	(4,386)
Other income, net	<u>12,541</u>	<u>2,905</u>	<u>32,823</u>	<u>2,234</u>
Income (loss) before income taxes	11,467	(18,514)	34,356	(57,242)
Provision for (benefit from) income taxes	(2,005)	474	(451)	(12,852)
Net income (loss)	13,472	(18,988)	34,807	(44,390)
Net income (loss) attributable to redeemable non-controlling interest	194	(344)	599	(468)
Adjustment attributable to redeemable non-controlling interest	1,355	1,375	3,444	(3,227)
Net income (loss) attributable to BlackLine, Inc.	<u>\$ 11,923</u>	<u>\$ (20,019)</u>	<u>\$ 30,764</u>	<u>\$ (40,695)</u>
Basic net income (loss) per share attributable to BlackLine, Inc.	<u>\$ 0.20</u>	<u>\$ (0.34)</u>	<u>\$ 0.51</u>	<u>\$ (0.68)</u>
Shares used to calculate basic net income (loss) per share	<u>61,101</u>	<u>59,695</u>	<u>60,666</u>	<u>59,422</u>
Diluted net income (loss) per share attributable to BlackLine, Inc.	<u>\$ 0.19</u>	<u>\$ (0.34)</u>	<u>\$ 0.49</u>	<u>\$ (0.68)</u>
Shares used to calculate diluted net income (loss) per share	<u>72,102</u>	<u>59,695</u>	<u>71,902</u>	<u>59,422</u>

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

**BLACKLINE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**

(in thousands)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 13,472	\$ (18,988)	\$ 34,807	\$ (44,390)
Other comprehensive income (loss):				
Net change in unrealized gains (losses) on marketable securities, net of tax of \$0 for the quarters and nine months ended September 30, 2023 and 2022	408	(2,052)	474	(2,942)
Foreign currency translation	(69)	(147)	(293)	(845)
Other comprehensive income (loss)	339	(2,199)	181	(3,787)
Comprehensive income (loss)	13,811	(21,187)	34,988	(48,177)
Less comprehensive income (loss) attributable to redeemable non-controlling interest:				
Net income (loss) attributable to redeemable non-controlling interest	194	(344)	599	(468)
Foreign currency translation attributable to redeemable non-controlling interest	(31)	(71)	(132)	(409)
Comprehensive income (loss) attributable to redeemable non-controlling interest	163	(415)	467	(877)
Comprehensive income (loss) attributable to BlackLine, Inc.	<u>\$ 13,648</u>	<u>\$ (20,772)</u>	<u>\$ 34,521</u>	<u>\$ (47,300)</u>

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

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

	Quarter Ended September 30, 2023					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at June 30, 2023	60,947	\$ 610	\$ 429,320	\$ (1,529)	\$ (252,039)	\$ 176,362
Stock option exercises	169	2	7,064	—	—	7,066
Vesting of restricted stock units	152	1	—	—	—	1
Acquisition of common stock for tax withholding obligations	—	—	(722)	—	—	(722)
Stock-based compensation	—	—	20,731	—	—	20,731
Other comprehensive loss	—	—	—	370	—	370
Net income attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	(1,355)	—	13,278	11,923
Balance at September 30, 2023	<u>61,268</u>	<u>\$ 613</u>	<u>\$ 455,038</u>	<u>\$ (1,159)</u>	<u>\$ (238,761)</u>	<u>\$ 215,731</u>

	Nine Months Ended September 30, 2023					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2022	60,017	\$ 600	\$ 385,709	\$ (1,472)	\$ (272,969)	\$ 111,868
Stock option exercises	528	6	18,975	—	—	18,981
Vesting of restricted stock units	607	6	—	—	—	6
Issuance of common stock through employee stock purchase plan	116	1	5,290	—	—	5,291
Acquisition of common stock for tax withholding obligations	—	—	(14,144)	—	—	(14,144)
Stock-based compensation	—	—	62,652	—	—	62,652
Other comprehensive loss	—	—	—	313	—	313
Net income attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	(3,444)	—	34,208	30,764
Balance at September 30, 2023	<u>61,268</u>	<u>\$ 613</u>	<u>\$ 455,038</u>	<u>\$ (1,159)</u>	<u>\$ (238,761)</u>	<u>\$ 215,731</u>

**Quarter Ended September 30, 2022**

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at June 30, 2022	59,573	\$ 596	\$ 344,264	\$ (952)	\$ (264,725)	\$ 79,183
Stock option exercises	85	1	1,247	—	—	1,248
Vesting of restricted stock units	118	1	—	—	—	1
Acquisition of common stock for tax withholding obligations	—	—	(1,864)	—	—	(1,864)
Stock-based compensation	—	—	21,510	—	—	21,510
Other comprehensive income	—	—	—	(2,128)	—	(2,128)
Net loss attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	(1,375)	—	(18,644)	(20,019)
Balance at September 30, 2022	<u>59,776</u>	<u>\$ 598</u>	<u>\$ 363,782</u>	<u>\$ (3,080)</u>	<u>\$ (283,369)</u>	<u>\$ 77,931</u>

**Nine Months Ended September 30, 2022**

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2021	58,984	\$ 590	\$ 625,883	\$ 298	\$ (301,735)	\$ 325,036
Cumulative-effect adjustment related to adoption of ASU 2020-06, net of tax	—	—	(324,418)	—	62,288	(262,130)
Balance at January 1, 2022	58,984	590	301,465	298	(239,447)	62,906
Stock option exercises	202	2	3,662	—	—	3,664
Vesting of restricted stock units	492	5	—	—	—	5
Issuance of common stock through employee stock purchase plan	98	1	4,465	—	—	4,466
Acquisition of common stock for tax withholding obligations	—	—	(7,866)	—	—	(7,866)
Stock-based compensation	—	—	58,829	—	—	58,829
Other comprehensive loss	—	—	—	(3,378)	—	(3,378)
Net loss attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	3,227	—	(43,922)	(40,695)
Balance at September 30, 2022	<u>59,776</u>	<u>\$ 598</u>	<u>\$ 363,782</u>	<u>\$ (3,080)</u>	<u>\$ (283,369)</u>	<u>\$ 77,931</u>

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



**BLACKLINE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	Nine Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income (loss) attributable to BlackLine, Inc.	\$ 30,764	\$ (40,695)
Net income (loss) and adjustment attributable to redeemable non-controlling interest (Note 3)	4,043	(3,695)
Net income (loss)	34,807	(44,390)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	37,274	30,986
Change in fair value of contingent consideration	(33,549)	(14,113)
Amortization of debt issuance costs	4,137	4,119
Stock-based compensation	60,465	57,410
Noncash lease expense	4,725	4,186
Accretion of purchase discounts on marketable securities, net	(24,999)	(3,326)
Net foreign currency (gains) losses	882	(1,463)
Deferred income taxes	(1,806)	(14,695)
Provision for (benefit from) credit losses	(17)	85
<b>Changes in operating assets and liabilities, net of impact of acquisition:</b>		
Accounts receivable	20,445	18,321
Prepaid expenses and other current assets	(2,150)	2,239
Other assets	1,352	(6,355)
Accounts payable	(9,445)	(4,571)
Accrued expenses and other current liabilities	1,187	(612)
Deferred revenue	(1,265)	2,548
Operating lease liabilities	(5,235)	(5,329)
Lease incentive receipts	240	653
Other long-term liabilities	(2,604)	4,566
Net cash provided by operating activities	84,444	30,259
<b>Cash flows from investing activities</b>		
Purchases of marketable securities	(982,465)	(1,171,808)
Proceeds from maturities of marketable securities	956,300	975,750
Capitalized software development costs	(16,837)	(14,952)
Purchases of property and equipment	(3,927)	(9,742)
Acquisition, net of cash acquired	(11,367)	(157,738)
Net cash used in investing activities	(58,296)	(378,490)
<b>Cash flows from financing activities</b>		
Principal payments under finance lease obligations	(735)	(380)
Proceeds from exercises of stock options	18,987	3,669
Proceeds from employee stock purchase plan	5,291	4,466
Acquisition of common stock for tax withholding obligations	(14,144)	(7,866)
Financed purchases of property and equipment	—	(84)
Net cash provided by (used in) financing activities	9,399	(195)
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	(271)	(833)
Net increase (decrease) in cash, cash equivalents, and restricted cash	35,276	(349,259)
Cash, cash equivalents, and restricted cash, beginning of period	201,207	539,991
Cash, cash equivalents, and restricted cash, end of period	\$ 236,483	\$ 190,732
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents at end of period	\$ 236,248	\$ 190,514
Restricted cash included within other assets at end of period	235	218
Total cash, cash equivalents, and restricted cash at end of period shown in the consolidated statements of cash flows	\$ 236,483	\$ 190,732

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

**BLACKLINE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**SUPPLEMENTAL CASH FLOWS DISCLOSURE**  
**(in thousands)**

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Non-cash financing and investing activities		
Adjustment for adoption of ASU 2020-06	\$ —	\$ 262,130
Estimated fair value of contingent consideration	\$ —	\$ 55,947
Stock-based compensation capitalized for software development	\$ 2,628	\$ 1,675
Capitalized software development costs included in accounts payable and accrued expenses and other current liabilities at end of period	\$ 1,086	\$ 1,150
Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities at end of period	\$ 4	\$ 263
Leasehold improvements paid directly by landlord	\$ 271	\$ —

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

**BLACKLINE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 – The Company**

BlackLine, Inc. and its subsidiaries (the “Company” or “BlackLine”) provide financial accounting close solutions delivered primarily as Software as a Service (“SaaS”). The Company’s solutions enable its customers to address various aspects of their financial close process including account reconciliations, variance analysis of account balances, journal entry capabilities, and certain types of data matching capabilities.

The Company is a holding company and conducts its operations through its wholly-owned subsidiary, BlackLine Systems, Inc. (“BlackLine Systems”). BlackLine Systems funded its business with investments from its founder and cash flows from operations until September 3, 2013, when the Company acquired BlackLine Systems, and Silver Lake Sumeru and Iconiq acquired a controlling interest in the Company, which is referred to as the “2013 Acquisition.”

On September 12, 2023, the Company acquired Data Interconnect (“DI”), hereinafter referred to as the “DI Acquisition”. DI is a cloud-based Invoice-to-Cash automation vendor within the electronic invoice presentment and payment (“EIPP”) market. The primary purpose of the DI Acquisition was to enhance the Company’s existing accounts receivable automation solution by adding the EIPP capabilities. This acquisition was not a significant acquisition under Regulation S-X.

On January 26, 2022, the Company acquired FourQ Systems, Inc. (“FourQ”), hereinafter referred to as the “FourQ Acquisition.” The primary purpose of the FourQ Acquisition was to enhance our existing intercompany accounting automation capabilities by driving end-to-end automation of traditionally manual intercompany accounting processes. The purchase accounting allocation was finalized during the quarter ended March 31, 2023. Refer to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the Securities and Exchange Commission (“SEC”) on February 23, 2023 for additional information.

The Company is headquartered in Woodland Hills, California. On June 15, 2023, the Company entered into a five-year lease extension for the office in Woodland Hills. This extension increased both the right-of-use asset and lease liability by approximately \$7.3 million. The Company has other local offices in Pleasanton, California; New York, New York; and Westport, Connecticut. We also have international office locations in Australia, Canada, France, Germany, India, Japan, the Netherlands, Poland, Romania, Singapore, and the United Kingdom.

**Note 2 – Basis of Presentation, Significant Accounting Policies and Recently-Issued Accounting Pronouncements**

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the Securities and Exchange Commission (“SEC”) on February 23, 2023. The unaudited condensed consolidated financial statements are unaudited and have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the condensed consolidated financial statements. The unaudited condensed consolidated balance sheet at December 31, 2022 was derived from audited financial statements, but does not include all disclosures required by GAAP. The operating results for the quarter and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the full year ending December 31, 2023.

**Use of estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, management evaluates its estimates, primarily those related to determining the stand-alone selling price for separate deliverables in the Company’s subscription revenue arrangements, allowance for doubtful accounts, cancellations and credits, fair value of assets and liabilities assumed in a business combination,

recoverability of goodwill and long-lived assets, useful lives associated with long-lived assets and right-of-use assets, income taxes, contingencies, fair value of contingent consideration, fair value of the Notes (as defined in "Note 8 - Convertible Senior Notes"), redemption value of redeemable non-controlling interest, and the valuation and assumptions underlying stock-based compensation. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company at September 30, 2023 and through the date of this report. The accounting matters assessed included, but were not limited to, the Company's valuation of contingent consideration, the allowance for credit losses, and the carrying value of goodwill and other long-lived assets. While there was not a material impact to the Company's condensed consolidated financial statements for the quarter and nine months ended September 30, 2023, the Company's future assessment of these accounting matters and other factors could result in material impacts to the Company's consolidated financial statements in future reporting periods.

#### ***Significant accounting policies***

The Company's significant accounting policies are detailed in "Note 2 - Significant Accounting Policies" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to the Company's significant accounting policies.

#### ***Recently-adopted accounting pronouncements***

There have been no recently adopted accounting pronouncements since the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

#### ***Recently-issued accounting pronouncements***

The Company has evaluated all recent accounting pronouncements and believes that none of them will have a material effect on the company's financial statements.

#### ***Note 3 – Redeemable Non-Controlling Interest***

In September 2018, the Company entered into an agreement with Japanese Cloud Computing and M30 LLC (the "Investors") to engage in the investment, organization, management, and operation of a Japanese subsidiary ("BlackLine K.K.") of the Company that is focused on the sale of the Company's products in Japan. In October 2018, the Company initially contributed approximately \$4.5 million in cash in exchange for 51% of the outstanding common stock of BlackLine K.K. In November 2021, the Company made a further investment in BlackLine K.K. of \$2.3 million that, including additional investments in BlackLine K.K. of \$2.2 million by existing third-party investors in November 2021, maintained the Company's majority ownership of 51%. As the Company continues to control a majority stake in BlackLine K.K., the entity has been consolidated.

All of the common stock held by the Investors is callable by the Company or puttable by the Investors upon certain contingent events. Should the call or put option be exercised, the redemption value will be determined based upon a prescribed formula derived from the discrete revenues of BlackLine K.K. and the Company and may be settled, at the Company's discretion, with Company stock or cash. As a result of the put right available to the Investors in the future, the redeemable non-controlling interest in BlackLine K.K. is classified outside of permanent equity in the Company's consolidated balance sheets, and the balance is reported at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings, or its estimated redemption value. The resulting changes in the estimated redemption amount are recorded within retained earnings or, in the absence of retained earnings, additional paid-in-capital.

The following table summarizes the activity in the redeemable non-controlling interest for the periods (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	\$ 26,288	\$ 23,635	\$ 23,895	\$ 28,699
Net income (loss) attributable to redeemable non-controlling interest (excluding adjustment to non-controlling interest)	194	(344)	599	(468)
Foreign currency translation	(31)	(71)	(132)	(409)
Adjustment to redeemable non-controlling interest	1,355	1,375	3,444	(3,227)
Balance at end of period	\$ 27,806	\$ 24,595	\$ 27,806	\$ 24,595

#### Note 4 – Business Combinations

##### Acquisition of Data Interconnect

On September 12, 2023 the Company completed the DI Acquisition for cash consideration of \$11.4 million, which was paid at the closing of the acquisition. The DI Acquisition enhances the Company's existing accounts receivable automation solution capabilities through EIPP. Transaction-related costs, which include, but are not limited to, accounting, legal, and advisory fees related to the transaction, incurred by the Company totaling approximately \$1.1 million were expensed as incurred during the quarter ended September 30, 2023.

The Company accounted for the transaction as a business combination using the acquisition method of accounting. The total purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition date. The purchase price allocation is preliminary.

The purchase consideration and major classes of assets and liabilities to which the Company allocated the total fair value of purchase consideration of \$11.4 million were as follows (in thousands):

Total cash purchase consideration	\$ 11,394
Cash and cash equivalents	\$ 27
Accounts receivable, net	916
Prepaid expenses and other current assets	893
Property and equipment, net	132
Intangible assets, net	8,800
Goodwill	5,126
Operating lease right-of-use assets	402
Other assets	58
Accounts payable	(665)
Accrued expenses and other current liabilities	(1,636)
Deferred revenue, current	(98)
Operating lease liabilities	(402)
Deferred tax liabilities, net	(2,159)
Total consideration	\$ 11,394

The Company believes the amount of goodwill resulting from the acquisition is primarily attributable to increased offerings to customers and enhanced opportunities for growth and innovation. The goodwill resulting from the acquisition is not tax deductible.

To determine the estimated fair value of intangible assets acquired, the Company engaged a third-party valuation specialist to assist management. All estimates, key assumptions, and forecasts were either provided by, or reviewed by, the Company. While the Company chose to utilize a third-party valuation specialist for assistance, the fair value analysis and related valuations reflect the conclusions of the Company and not those of any third party. The fair value measurements of the intangible assets were based primarily on significant unobservable inputs and

thus represent a Level 3 measurement as defined in ASC 820, *Fair Value Measurement*. The acquired intangible asset categories, fair value, and amortization periods, were as follows:

	Amortization Period (in years)	Fair Value (in thousands)
Developed technology	5	\$ 8,110
Customer relationships	3	690
		<u>\$ 8,800</u>

The weighted average lives of intangible assets at the acquisition date was 4.8 years.

The estimated fair value of developed technology and customer relationships acquired of \$8.1 million and \$0.7 million, respectively, was determined through the use of a third-party valuation firm using the cost approach methodology. The cost approach considers the cost to replace (or reproduce) the assets and the effects on the assets' values of functional and/or economic obsolescence that has occurred with respect to the asset. The direct transaction costs of the acquisition were accounted for separately from the business combination and expensed as incurred.

The revenue and earnings of the acquired business were included in the Company's results since the acquisition date and have not been presented separately using pro forma revenues and results of operations as its impact is not material to the Company's condensed consolidated financial statements for the periods presented.

#### **Note 5 – Intangible Assets and Goodwill**

The carrying value of intangible assets was as follows (in thousands):

	September 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	\$ 15,977	\$ (15,977)	\$ —
Developed technology	137,368	(63,481)	73,887
Customer relationships	26,779	(17,591)	9,188
Defensive patent	2,333	(1,103)	1,230
	<u>\$ 182,457</u>	<u>\$ (98,152)</u>	<u>\$ 84,305</u>

  

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	\$ 15,977	\$ (14,913)	\$ 1,064
Developed technology	129,258	(54,462)	74,796
Customer relationships	26,089	(12,552)	13,537
Defensive patent	2,333	(866)	1,467
	<u>\$ 173,657</u>	<u>\$ (82,793)</u>	<u>\$ 90,864</u>

The following table represents the changes in goodwill (in thousands):

Balance at December 31, 2022	\$ 443,861
Additions from acquisitions	5,126
Balance at September 30, 2023	<u>\$ 448,987</u>

#### **Note 6 – Balance Sheet Components**

##### **Investments in Marketable Securities**

Investments in marketable securities presented within current assets on the condensed consolidated balance sheets consisted of the following (in thousands):

	September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable securities				
U.S. treasury securities	\$ 478,149	\$ 10	\$ (562)	\$ 477,597
Commercial paper	276,038	1	—	276,039
U.S. government agencies	172,433	5	(353)	172,085
	<u>\$ 926,620</u>	<u>\$ 16</u>	<u>\$ (915)</u>	<u>\$ 925,721</u>

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable securities				
U.S. treasury securities	\$ 418,941	\$ 9	\$ (1,047)	\$ 417,903
Corporate bonds	64,597	3	(296)	64,304
Commercial paper	278,406	—	—	278,406
U.S. government agencies	113,512	40	(82)	113,470
	<u>\$ 875,456</u>	<u>\$ 52</u>	<u>\$ (1,425)</u>	<u>\$ 874,083</u>

The Company's marketable securities as of September 30, 2023 have a contractual maturity of less than 2 years. All of our available-for-sale securities are available for use in our current operations and are categorized as current assets even though the stated maturity of some individual securities may be one year or more beyond the balance sheet date.

The fair values of available-for-sale securities, by remaining contractual maturity, were as follows (in thousands):

	September 30, 2023	
	Amortized Cost	Fair Value
Maturing within 1 year	\$ 915,828	\$ 915,016
Maturing between 1 and 2 years	10,792	10,705
	<u>\$ 926,620</u>	<u>\$ 925,721</u>

Refer to "Note 7 - Fair Value Measurements" for additional information.

Net gains and losses related to maturities of marketable securities that were reclassified from accumulated other comprehensive loss to earnings and included in interest income in the accompanying condensed consolidated statements of operations, were \$9.2 million and \$25.0 million for the quarter and nine months ended September 30, 2023 and \$2.8 million and \$3.3 million for the quarter and nine months ended September 30, 2022.

Net gains and losses are determined using the specific identification method. During the quarters and nine months ended September 30, 2023 and 2022, there were no realized gains or losses related to sales of marketable securities recognized in the Company's accompanying condensed consolidated statements of operations.

Marketable securities in a continuous loss position for less than 12 months had an estimated fair value of \$555.4 million and \$521.8 million, and unrealized losses of \$0.9 million and \$1.4 million, at September 30, 2023 and December 31, 2022, respectively. There were no marketable securities in a continuous loss position for greater than 12 months at September 30, 2023 and December 31, 2022, respectively.

The Company's marketable securities are considered to be of high credit quality and accordingly, there was no allowance for credit losses related to marketable securities as of September 30, 2023 or December 31, 2022.

## Other Assets

Deferred customer contract acquisition costs are included in other assets in the accompanying condensed consolidated balance sheets and totaled \$87.6 million and \$89.1 million at September 30, 2023 and December 31, 2022, respectively.

## Accrued Expenses and Other Current Liabilities

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

	September 30, 2023	December 31, 2022
Accrued salaries and employee benefits	\$ 31,888	\$ 39,043
Accrued income and other taxes payable	7,446	9,415
Accrued restructuring costs	6,333	1,737
Other accrued expenses and current liabilities	15,685	8,405
	<u>\$ 61,352</u>	<u>\$ 58,600</u>

## Note 7 – Fair Value Measurements

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis by level, within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 160,511	\$ —	\$ —	\$ 160,511
Commercial paper	—	20,788	—	20,788
Marketable securities				
U.S. treasury securities	477,597	—	—	477,597
Commercial paper	—	276,039	—	276,039
U.S. government agencies	—	172,085	—	172,085
Total assets	<u>\$ 638,108</u>	<u>\$ 468,912</u>	<u>\$ —</u>	<u>\$ 1,107,020</u>
Liabilities				
Contingent consideration	\$ 8,000	\$ —	\$ —	\$ 8,000
Total liabilities	<u>\$ 8,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,000</u>

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 101,919	\$ —	\$ —	\$ 101,919
Commercial paper	—	59,405	—	59,405
Marketable securities				
U.S. treasury securities	417,903	—	—	417,903
Corporate bonds	—	64,301	—	64,301
Commercial paper	—	278,406	—	278,406
U.S. government agencies	—	113,471	—	113,471
Total assets	<u>\$ 519,822</u>	<u>\$ 515,583</u>	<u>\$ —</u>	<u>\$ 1,035,405</u>
Liabilities				
Contingent consideration	\$ 8,000	\$ —	\$ 33,549	\$ 41,549
Total liabilities	<u>\$ 8,000</u>	<u>\$ —</u>	<u>\$ 33,549</u>	<u>\$ 41,549</u>



The following table summarizes the changes in the contingent consideration liability (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning fair value	\$ 19,120	\$ 60,821	\$ 41,549	\$ 20,732
Additions in the period	—	—	—	55,947
Change in fair value	(11,120)	1,745	(33,549)	(14,113)
Ending fair value	\$ 8,000	\$ 62,566	\$ 8,000	\$ 62,566

The Company classified the marketable debt securities as available-for-sale debt securities at the time of purchase and reevaluated such classification as of each balance sheet date. The valuation techniques used to measure the fair values of our instruments that were classified as Level 1 were derived from quoted market prices for identical instruments in active markets. The valuation techniques used to measure the fair values of Level 2 instruments were derived from broker reports that utilized quoted market prices for similar instruments.

As a condition of the FourQ Acquisition that occurred on January 26, 2022, the Company agreed to pay additional cash consideration if FourQ realized certain firm-specific targets, including the amount and timing of new and incremental combined bookings from FourQ and BlackLine, and revenues from a specified FourQ customer over a three-year period subsequent to the acquisition date. The maximum cash consideration to be distributed is \$73.2 million. Changes in the significant inputs used in the fair value measurement, specifically a change in new and incremental actual and forecasted combined bookings from FourQ and the Company, can significantly impact the fair value of the contingent consideration liability. During the quarter ended September 30, 2023, the Company reduced the FourQ contingent consideration by \$11.1 million to zero.

In conjunction with the 2013 Acquisition, option holders of BlackLine Systems, Inc. were allowed to cancel their stock option rights and receive a cash payment equal to the amount of calculated gain (less applicable expense and other items) had they exercised their stock options and then sold their common shares as part of the 2013 Acquisition. As a condition of the 2013 Acquisition, the Company is obligated to pay additional cash consideration to certain equity holders since the Company realized taxable income for the year ended December 31, 2022. The maximum contingent cash consideration payable of \$8.0 million is due on or before November 15, 2023. Accordingly, at September 30, 2023, the additional cash consideration was classified as a Level 1 liability.

Changes in the fair value of contingent consideration are recorded as general and administrative expenses in the unaudited condensed consolidated statements of operations.

#### Note 8 – Convertible Senior Notes

##### 2024 Notes

The 0.125% Convertible Senior Notes due 2024 (the "2024 Notes") consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Liability:		
Principal	\$ 250,000	\$ 250,000
Unamortized debt issuance costs	(1,096)	(2,069)
Net carrying amount <sup>(1)</sup>	\$ 248,904	\$ 247,931

<sup>(1)</sup> Net carrying amount as of September 30, 2023 presented within total current liabilities on the condensed consolidated balance sheet.

The Company carries the 2024 Notes at face value less unamortized debt issuance costs on the accompanying condensed consolidated balance sheets and presents the fair value for disclosure purposes only. The estimated fair value was determined based on the actual bids and offers of the 2024 Notes in an over-the-counter market on the last trading day of the period. The estimated fair value of the 2024 Notes, based on a market approach at September 30, 2023, was approximately \$244.0 million, which represents a Level 2 valuation.

During the quarter ended September 30, 2023, the Company recognized \$0.3 million of interest expense related to the amortization of debt issuance costs and \$0.1 million of coupon interest expense. During the quarter ended September 30, 2022, the Company recognized \$0.3 million of interest expense related to the amortization of debt issuance costs and \$0.1 million of coupon interest expense.

During the nine months ended September 30, 2023, the Company recognized \$1.0 million of interest expense related to the amortization of debt issuance costs and \$0.2 million of coupon interest expense. During the nine months ended September 30, 2022, the Company recognized \$1.0 million of interest expense related to the amortization of debt issuance costs and \$0.2 million of coupon interest expense.

At September 30, 2023, the remaining life of the 2024 Notes was approximately 10 months.

The 2024 Notes were not convertible at September 30, 2023. It is the Company's current intent to settle conversions of the 2024 Notes through "combination settlement", which involves repayment of the principal portion in cash and any excess of the conversion value over the principal amount in shares of its common stock.

In connection with the offering of the 2024 Notes, the Company entered into privately negotiated capped call transactions (the "2024 Capped Calls"). There have been no changes to the condition of the 2024 Capped Calls since December 31, 2022, and the 2024 Capped Calls are still outstanding as of September 30, 2023.

## 2026 Notes

The 0.00% Convertible Senior Notes due 2026 (the "2026 Notes") consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
<b>Liability:</b>		
Principal	\$ 1,150,000	\$ 1,150,000
Unamortized debt issuance costs	(10,461)	(13,625)
Net carrying amount	<u>\$ 1,139,539</u>	<u>\$ 1,136,375</u>

The Company carries the 2026 Notes at face value less unamortized debt issuance costs on the accompanying condensed consolidated balance sheets and presents the fair value for disclosure purposes only. The estimated fair value was determined based on the actual bids and offers of the 2026 Notes in an over-the-counter market on the last trading day of the period. The estimated fair value of the 2026 Notes, based on a market approach at September 30, 2023, was approximately \$991.9 million, which represents a Level 2 valuation.

During the quarter and nine months ended September 30, 2023, the Company recognized \$1.1 million and \$3.2 million of interest expense related to the amortization of debt issuance costs, respectively. During the quarter and nine months ended September 30, 2022, the Company recognized \$1.1 million and \$3.2 million of interest expense related to the amortization of debt issuance costs, respectively.

At September 30, 2023, the remaining life of the 2026 Notes was approximately 30 months.

The 2026 Notes were not convertible at September 30, 2023. It is the Company's current intent to settle conversions of the 2026 Notes through "combination settlement", which involves repayment of the principal portion in cash and any excess of the conversion value over the principal amount in shares of its common stock.

In connection with the offering of the 2026 Notes, the Company entered into privately negotiated capped call transactions (the "2026 Capped Calls" and together with the 2024 Capped Calls, the "Capped Calls"). There have been no changes to the condition of the 2026 Notes since December 31, 2022, and the 2026 Capped Calls are still outstanding as of September 30, 2023.

## Note 9 – Restructuring Costs

### Fiscal 2023 Restructuring Program

On August 23, 2023, the Company announced its intention to reduce its global workforce by approximately 9%, or approximately 166 total positions. The actions were designed to support the Company's growth, scale and profitability objectives. In connection with the restructuring plan, the Company currently estimates that it will incur expenses of up to \$9.0 million, primarily for severance and other termination benefits. The Company expects to recognize these anticipated expenses during the third and fourth quarters of fiscal year 2023 and to have substantially completed the planned actions during the fourth quarter of fiscal year 2023, subject to local law and consultation requirements, which may extend the process in certain countries.

During the quarter and nine months ended September 30, 2023, the Company recorded \$8.7 million for one-time termination benefits related to the fiscal 2023 restructuring program, which occurred in the United States and various international locations. The charges were recorded pursuant to ASC 420, *Exit or Disposal Cost Obligations*.

## Fiscal 2022 Restructuring Program

On December 7, 2022, the Company announced its intention to reduce its global workforce by approximately 5%, or approximately 95 total positions. The actions were primarily in response to cost reduction initiatives as the Company continues to focus on key growth priorities. The actions were substantially completed in the fourth quarter of fiscal year 2022 and were subject to local law and consultation requirements, which extends the process in certain countries.

During the quarter and nine months ended September 30, 2023, the Company recorded zero and \$1.1 million, respectively, for one-time termination benefits related to the fiscal 2022 restructuring program, which occurred in the United States and various international locations. The charges were recorded pursuant to ASC 420.

The liability for the fiscal 2023 and 2022 restructuring programs was included in accrued expenses and other current liabilities in the condensed consolidated balance sheet, and the following tables summarize the related activity for the respective plans for the quarter and nine months ended September 30, 2023 (in thousands):

	Quarter Ended September 30, 2023		
	Restructuring Program		Total
	Fiscal 2023	Fiscal 2022	
Accrual balance as of June 30, 2023	\$ —	\$ 150	\$ 150
Restructuring charges	8,664	—	8,664
Cash payments and adjustments	(2,386)	(95)	(2,481)
Accrual balance as of September 30, 2023	\$ 6,278	\$ 55	\$ 6,333

	Nine Months Ended September 30, 2023		
	Restructuring Program		Total
	Fiscal 2023	Fiscal 2022	
Accrual balance as of December 31, 2022	\$ —	\$ 1,737	\$ 1,737
Restructuring charges	8,664	1,149	9,813
Cash payments and adjustments	(2,386)	(2,831)	(5,217)
Accrual balance as of September 30, 2023	\$ 6,278	\$ 55	\$ 6,333

All plan adjustments were changes in estimates whereby increases and decreases in charges were generally recorded to operating expenses in the period of adjustments.

## Note 10 – Equity Awards

### Stock-based compensation expense

Stock-based compensation expense was as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenues	\$ 2,695	\$ 2,346	\$ 7,817	\$ 6,309
Sales and marketing	6,123	7,257	18,788	20,619
Research and development	3,750	3,847	11,282	10,554
General and administrative	7,511	7,449	22,578	19,928
	\$ 20,079	\$ 20,899	\$ 60,465	\$ 57,410

For the quarters ended September 30, 2023 and 2022, stock-based compensation capitalized as an asset was \$0.8 million and \$0.7 million, respectively.

For the nine months ended September 30, 2023 and 2022, stock-based compensation capitalized as an asset was \$2.6 million and \$1.7 million, respectively.

### Stock options - service-only vesting conditions

The following table summarizes activity for awards that contain service-only vesting conditions (in thousands):

Outstanding at December 31, 2022	2,431
Granted	—
Exercised	(532)
Forfeited/canceled	(129)
Outstanding at September 30, 2023	1,770

**Restricted stock units - service-only vesting conditions**

The following table summarizes activity for restricted stock units that contain service-only vesting conditions (in thousands):

Nonvested at December 31, 2022	2,202
Granted	1,386
Vested	(771)
Forfeited/canceled	(328)
Nonvested at September 30, 2023	2,489

**Restricted stock units - performance and service conditions**

The following table summarizes activity for restricted stock units with performance and service vesting conditions with grant dates established (in thousands):

Nonvested at December 31, 2022	69
Granted	163
Performance adjustment	(28)
Vested	(41)
Forfeited/canceled	(48)
Nonvested at September 30, 2023	115

The following table summarizes activity for restricted stock units with performance and service vesting conditions with no grant dates established (in thousands):

Nonvested at December 31, 2022	138
Granted	158
Forfeited/canceled	(59)
Nonvested at September 30, 2023	237

**Restricted stock units - performance, market, and service conditions**

The following table summarizes activity for restricted stock units with performance, market, and service-based conditions (in thousands):

Nonvested at December 31, 2022	189
Granted	—
Vested	—
Forfeited/canceled	(189)
Nonvested at September 30, 2023	—

**Note 11 – Income Taxes**

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date income (loss), adjusted for discrete items arising in that quarter. The Company's annual estimated effective tax rate differs from the U.S. federal statutory rate of 21% primarily as a result of state taxes, foreign taxes, and changes in the Company's valuation allowance for income taxes. For the quarters ended September 30, 2023 and 2022, the Company recorded \$2.0 million income tax benefit and \$0.5 million income tax expense, respectively. The income tax benefit for the quarter ended September 30, 2023 compared to the income tax expense for the quarter ended September 30, 2022, resulted primarily from the current

quarter's partial release of \$1.7 million of existing valuation allowance as net deferred tax liabilities acquired from DI are a source of taxable income to support recognition of existing BlackLine UK deferred tax assets, along with changes in the mix of profitable jurisdictions.

For the nine months ended September 30, 2023 and 2022, the Company recorded \$0.5 million and \$12.9 million in income tax benefit, respectively. The \$12.4 million difference resulted primarily from the release of \$14.2 million of existing valuation allowance recognized during the nine months ended September 30, 2022 in connection with the FourQ acquisition, along with changes in the mix of profitable jurisdictions, partially offset by the current quarter's release of \$1.7 million of existing valuation allowance in connection with the DI Acquisition.

For purposes of calculating its income tax attributed to continuing operations, the Company continued to maintain a full valuation allowance on its U.S. federal and state net deferred tax assets as it was more likely than not that those deferred tax assets will not be realized.

#### Note 12 – Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Basic net income (loss) per share</b>				
Numerator:				
Net income (loss) attributable to BlackLine, Inc.	\$ 11,923	\$ (20,019)	\$ 30,764	\$ (40,695)
Denominator:				
Weighted average shares	61,101	59,695	60,666	59,422
Basic net income (loss) per share attributable to BlackLine, Inc.	\$ 0.20	\$ (0.34)	\$ 0.51	\$ (0.68)
<b>Diluted net income (loss) per share</b>				
Numerator:				
Net income (loss) attributable to BlackLine, Inc.	\$ 11,923	\$ (20,019)	\$ 30,764	\$ (40,695)
Interest expense	1,475	—	4,372	—
Net income (loss) attributable to BlackLine, Inc. for diluted calculation	\$ 13,398	\$ (20,019)	\$ 35,136	\$ (40,695)
Denominator:				
Weighted average shares	61,101	59,695	60,666	59,422
Dilutive effect of securities	677	—	912	—
Dilutive effect of convertible senior notes	10,324	—	10,324	—
Shares used to calculate diluted net income (loss) per share	72,102	59,695	71,902	59,422
Diluted net income (loss) per share attributable to BlackLine, Inc.	\$ 0.19	\$ (0.34)	\$ 0.49	\$ (0.68)

The weighted average impact of potentially dilutive securities that were excluded from the diluted per share calculations because they were anti-dilutive were as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock options - service-only vesting conditions	620	2,510	1,225	2,610
Restricted stock units - service-only vesting conditions	1,915	2,255	2,193	1,962
Restricted stock units - performance and service conditions	—	70	21	46
Restricted stock units - performance, market, and service conditions	—	—	97	—
<b>Total shares excluded from net loss per share</b>	<b>2,535</b>	<b>4,835</b>	<b>3,536</b>	<b>4,618</b>

Additionally, approximately 3.4 million and 6.9 million weighted average shares underlying the conversion option in the 2024 Notes and the 2026 Notes, respectively, are excluded from the calculation of diluted net loss per share attributable to common stockholders for the quarter and nine months ended September 30, 2022 as the effect would be anti-dilutive. The shares are subject to adjustment, up to approximately 4.7 million shares and 9.9 million shares for the 2024 Notes and the 2026 Notes, respectively, if certain corporate events occur prior to the maturity dates or if the Company issues a notice of redemption.

### **Note 13 – Commitments and Contingencies**

**Litigation**—From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Company is not currently a party to any legal proceedings, nor is it aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows, or financial condition should such litigation be resolved unfavorably.

**Indemnification**—In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors, and officers with respect to certain matters, including, but not limited to, losses arising out of its breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor has it been sued in connection with these indemnification arrangements. At September 30, 2023 and December 31, 2022, the Company has not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements was not probable or reasonably estimable.

### **Note 14 – Unearned Revenue and Performance Obligations**

Revenue totaling \$248.3 million and \$217.0 million was recognized during the nine months ended September 30, 2023 and 2022, respectively, that was previously included in the deferred revenue balance at December 31, 2022 and 2021, respectively.

Contracted but unrecognized revenue was \$767.6 million at September 30, 2023, of which the Company expects to recognize approximately 58% over the next 12 months and the remainder thereafter.

### **Note 15 – Geographic Information**

The Company disaggregates its revenue from contracts with customers by geographic location, as it believes it best depicts how the nature, amount, timing, and uncertainty of its revenues and cash flows are affected by economic factors.

The following table sets forth the Company's revenues by geographic region (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	\$ 108,757	\$ 96,769	\$ 312,821	\$ 273,934
International	41,951	37,499	121,445	109,047
	<u>\$ 150,708</u>	<u>\$ 134,268</u>	<u>\$ 434,266</u>	<u>\$ 382,981</u>

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

*You should read the following discussion and analysis of our financial condition and results of operations together with the financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (the "SEC") on February 23, 2023 ("Annual Report on Form 10-K"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those discussed in the section entitled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.*

### Overview

We have created a comprehensive cloud-based software platform designed to transform and modernize accounting and finance operations for organizations of all types and sizes. Our secure, scalable platform supports critical accounting processes, such as intercompany accounting, certain types of data matching, the financial close, account reconciliations, and controls assurance. By introducing software to automate these processes and to enable them to function continuously, we empower our customers to improve the integrity of their financial reporting, increase efficiency in their accounting and finance processes and enhance real-time visibility into their operations.

At September 30, 2023, we had 381,892 individual users across 4,368 customers. Additionally, we continue to build strategic relationships with technology vendors, professional services firms, business process outsourcers, and resellers.

Our cloud-based products include Account Reconciliations, Transaction Matching, Task Management, Journal Entry, Variance Analysis, Financial Reporting Analytics, Compliance, BlackLine Cash Application, Credit & Risk Management, Collections Management, Disputes & Deductions, Team & Task Management, AR Intelligence, Intercompany Create, Intercompany Balance and Resolve, and Intercompany Netting and Settlement. These products are offered to customers as scalable solutions that support critical accounting processes, such as the financial close, account reconciliations, cash application, intercompany accounting, and compliance.

We derived approximately 94% of our revenue primarily from subscriptions to our cloud-based software platform and approximately 6% from professional services for the nine months ended September 30, 2023. Our subscription contracts have initial non-cancellable terms of one year to three years with renewal options. Approximately two-thirds of new contracts in 2022 and during the nine months ended September 30, 2023 had an initial term of three years. We price our subscriptions based on a number of factors, primarily the number of users having access to the products and the number of products purchased by the customer. We typically invoice customers annually in advance for subscriptions, which is initially recorded as deferred revenue and recognized ratably over the term of the customer contract. The first year of subscription fees are typically payable within 30 days after execution of a contract, and thereafter upon renewal.

Professional services consist primarily of implementation and consulting services. Although our platform is ready to use immediately after a new customer has access to it, we typically help customers implement our solutions. We also provide consulting services to help customers optimize the use of our products. We invoice customers for our consulting services on a time-and-materials basis and recognize that revenue as services are performed. A limited number of our customers are provided professional services for a fixed fee which we invoice in advance and is initially recorded as deferred revenue and recognized on a proportional-performance basis as the services are performed.

We sell our solutions primarily through our direct sales force, which leverages our relationships with technology vendors, professional services firms and business process outsourcers. In particular, our solution integrates with SAP's enterprise resource planning ("ERP") solutions, and SAP is part of the reseller channel that we use in the ordinary course of business. SAP has the ability to resell our solutions as SAP solution-extensions ("SolEx"), for which we receive a percentage of the revenues. We also have an agreement with Google Cloud in which we collaborate with Google Cloud on joint selling and go-to-market activities and bring enhanced automation solutions for finance and accounting to new and existing customers.

Our ability to maximize the lifetime value of our customer relationships will depend, in part, on the willingness of customers to purchase additional user licenses and products from us. We rely on our sales and customer success teams to support and grow our existing customers by maintaining high customer satisfaction and educating customers on the value all our products provide.



The length of our sales cycle depends on the size of a potential customer and contract, as well as the type of solution or product being purchased. The sales cycle for our global enterprise customers is generally longer than that of our mid-market customers. In addition, the length of the sales cycle tends to increase for larger contracts and for more complex, strategic products like Intercompany Financial Management. As we continue to focus on increasing our average contract size and selling more strategic products, we expect our sales cycle to lengthen and become less predictable, which could cause variability in our results for any particular period.

We have historically signed a high percentage of agreements with new customers, as well as renewal agreements with existing customers, in the fourth quarter of each year and usually during the last month of the quarter. This can be attributed to buying patterns typical in the software industry. As the terms of most of our customer agreements are measured in full year increments, agreements initially entered into during the fourth quarter or last month of any quarter will generally come up for renewal at that same time in subsequent years. This seasonality is reflected in our revenues, though the impact to overall annual or quarterly revenues is minimal due to the fact that we recognize subscription revenue ratably over the term of the customer contract.

On September 12, 2023, we acquired Data Interconnect ("DI"), which we refer to as the "DI Acquisition". DI is a cloud-based Invoice-to-Cash automation vendor within the electronic invoice presentment and payment ("EIPP") market. The primary purpose of the DI Acquisition was to enhance our existing accounts receivable automation solution by adding the EIPP capabilities.

For the quarters ended September 30, 2023 and 2022, we had revenues totaling \$150.7 million and \$134.3 million, respectively. We generated net income attributable to BlackLine, Inc. of \$11.9 million and incurred a net loss attributable to BlackLine, Inc. of \$20.0 million for the quarters ended September 30, 2023 and 2022, respectively.

For the nine months ended September 30, 2023 and 2022, we had revenues totaling \$434.3 million and \$383.0 million, respectively. We generated net income attributable to BlackLine, Inc. of \$30.8 million and incurred a net loss attributable to BlackLine, Inc. of \$40.7 million for the nine months ended September 30, 2023 and 2022, respectively.

### ***Global Macroeconomic Factors***

Our operating results may vary based on the impact of changes in our industry or the global economy on us or our customers. General macroeconomic conditions, such as a recession or rising inflation rates, an economic downturn in the United States or internationally, adverse business conditions and liquidity concerns, or bank failures or instability in the financial services sector, could adversely affect demand for our products and make it difficult to accurately forecast and plan our future business activities. In recent quarters, as a result of economic uncertainty, we have seen customers delay and defer purchasing decisions, which has adversely impacted our near-term demand.

### ***Restructuring Costs***

#### **Fiscal 2023 Restructuring Program**

On August 23, 2023, we announced a restructuring plan that is designed to support our growth, scale, and profitability objectives. As part of the restructuring, we expect to reduce our global workforce by approximately 9.0%, or 166 total employee positions. The Company anticipates annual gross cost savings of approximately \$28.0 million to be realized from the restructuring plan by year-end 2024.

Restructuring costs related to the August 2023 restructuring consisted of one-time termination benefits that were primarily incurred in the third quarter of fiscal 2023. Refer to "Note 9 - Restructuring Costs" for additional information.

#### **Fiscal 2022 Restructuring Program**

On December 7, 2022, we announced our decision to commit to a restructuring plan that was designed to focus on key growth priorities. Restructuring costs related to the December 2022 restructuring consisted of one-time termination benefits that were primarily incurred in the fourth quarter of fiscal 2022 and the first quarter of fiscal 2023. Refer to "Note 9 - Restructuring Costs" for additional information.

## Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions.

	Sep. 30, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023
Dollar-based net revenue retention rate	109 %	107 %	106 %	106 %	105 %
Number of customers	4,060	4,188	4,236	4,279	4,368
Number of users	354,924	366,522	369,493	377,585	381,892

**Dollar-based net revenue retention rate.** We believe that dollar-based net revenue retention rate is an important metric to measure the long-term value of customer agreements and our ability to retain and grow our relationships with existing customers over time. We calculate dollar-based net revenue retention rate as the implied monthly subscription and support revenue at the end of a period for the base set of customers from which we generated subscription revenue in the year prior to the calculation, divided by the implied monthly subscription and support revenue one year prior to the date of calculation for that same customer base. This calculation does not reflect implied monthly subscription and support revenue for new customers added during the one-year period but does include the effect of customers who terminated during the period. We define implied monthly subscription and support revenue as the total amount of minimum subscription and support revenue contractually committed to, under each of our customer agreements over the entire term of the agreement, divided by the number of months in the term of the agreement. At September 30, 2023, our dollar-based net revenue retention rate declined from the quarter ended June 30, 2023. Our ability to maximize the lifetime value of our customer relationships will depend, in part, on the willingness of the customer to purchase additional user licenses and products from us. We rely on our customer success and sales teams to support and grow our existing customers by maintaining high customer satisfaction and educating the customer on the value all our products provide.

**Number of customers.** We believe that our ability to expand our customer base is an indicator of our market penetration and the growth of our business. We define a customer as a company that contributes to our subscription and support revenue as of the measurement date. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced as a separate entity is treated as a separate customer. However, where an existing customer requests its invoice be divided for the sole purpose of restructuring its internal billing arrangement without any incremental increase in revenue, such customer continues to be treated as a single customer. For the quarters and nine months ended September 30, 2023 and 2022, no single customer accounted for more than 10% of our total revenues.

**Number of users.** Since our customers generally pay fees based on the number of users of our platform within their organization, we believe the total number of users is an indicator of the growth of our business. While the fees for the majority of the products we sell are user-based, we are seeing an increasing volume of transactions for our non-user based strategic products, such as Transaction Matching, Intercompany, and BlackLine Cash Application.

## Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the non-GAAP measures below are useful to us and our investors in evaluating our business. These non-GAAP financial measures are useful because they provide consistency and comparability with our past performance, facilitate period-to-period comparisons of operations and facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except percentages)			
GAAP gross profit	\$ 113,914	\$ 101,842	\$ 325,085	\$ 286,959
GAAP gross margin	75.6 %	75.8 %	74.9 %	74.9 %
GAAP net income (loss) attributable to BlackLine, Inc.	\$ 11,923	\$ (20,019)	\$ 30,764	\$ (40,695)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except percentages)			
Non-GAAP gross profit	\$ 120,212	\$ 107,551	\$ 343,769	\$ 302,571
Non-GAAP gross margin	79.8 %	80.1 %	79.2 %	79.0 %
Non-GAAP net income attributable to BlackLine, Inc.	\$ 37,857	\$ 15,064	\$ 93,685	\$ 20,791

*Non-GAAP Gross Profit and Non-GAAP Gross Margin.* Non-GAAP gross profit is defined as GAAP revenues less GAAP cost of revenue adjusted for the amortization of acquired developed technology, transaction-related costs (including, but not limited to, accounting, legal, and advisory fees related to the transaction, as well as transaction-related retention bonuses), and stock-based compensation. Non-GAAP gross margin is defined as non-GAAP gross profit divided by GAAP revenues. We believe that presenting non-GAAP gross margin is useful to investors as it eliminates the impact of certain non-cash expenses and allows a direct comparison of gross margin between periods.

*Non-GAAP Net Income (Loss) Attributable to BlackLine and Diluted Non-GAAP Net Income (Loss) Attributable to BlackLine, Inc. Per Share.* Non-GAAP net income (loss) attributable to BlackLine is defined as GAAP net income (loss) attributable to BlackLine adjusted for the impact of the provision for (benefit from) income taxes related to acquisitions, amortization of intangible assets, stock-based compensation, the amortization of debt issuance costs from our convertible notes, the change in the fair value of contingent consideration, transaction-related costs, legal settlement gains or costs, impairment of cloud computing implementation costs, restructuring costs, the adjustment to the value of the redeemable non-controlling interest to the redemption amount, and loss on extinguishment of convertible senior notes. Diluted non-GAAP net income attributable to BlackLine, Inc. per share includes the adjustment for shares resulting from the elimination of stock-based compensation. We believe that presenting non-GAAP net income (loss) attributable to BlackLine is useful to investors as it eliminates the impact of items that have been impacted by our acquisitions and other related costs in order to allow a direct comparison of net income (loss) between all periods presented.

#### **Reconciliation of Non-GAAP Financial Measures**

The following table presents a reconciliation of gross profit, gross margin and net income (loss), the most comparable GAAP measures, to non-GAAP gross profit, non-GAAP gross margin and non-GAAP net income:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands, except percentages)				
<b>Non-GAAP Gross Profit:</b>				
Gross profit	\$ 113,914	\$ 101,842	\$ 325,085	\$ 286,959
Amortization of acquired developed technology	3,090	3,011	9,019	8,305
Stock-based compensation <sup>(1)</sup>	3,249	2,346	9,319	6,309
Transaction-related costs	(41)	352	346	998
Total non-GAAP gross profit	\$ 120,212	\$ 107,551	\$ 343,769	\$ 302,571
Gross margin	75.6 %	75.8 %	74.9 %	74.9 %
Non-GAAP gross margin	79.8 %	80.1 %	79.2 %	79.0 %
<b>Non-GAAP Net Income Attributable to BlackLine, Inc.:</b>				
Net income (loss) attributable to BlackLine, Inc.	\$ 11,923	\$ (20,019)	\$ 30,764	\$ (40,695)
Provision for (benefit from) income taxes	(1,827)	299	(1,722)	(12,692)
Amortization of intangible assets	5,140	5,182	15,359	14,550
Stock-based compensation <sup>(1)</sup>	20,503	20,802	61,607	57,159
Amortization of debt issuance costs	1,396	1,389	4,137	4,119
Change in fair value of contingent consideration	(11,120)	1,745	(33,549)	(14,113)
Transaction-related costs	1,823	3,272	3,832	13,981
Legal settlement costs	—	1,019	—	1,709
Restructuring costs	8,664	—	9,813	—
Adjustment to redeemable non-controlling interest	1,355	1,375	3,444	(3,227)
Total non-GAAP net income attributable to BlackLine, Inc.	\$ 37,857	\$ 15,064	\$ 93,685	\$ 20,791

<sup>(1)</sup> Beginning in 2023, includes amortization related to stock-based compensation that was capitalized in capitalized software development costs in previous periods and totaled \$0.6 million and \$1.5 million for the quarter and nine months ended September 30, 2023, respectively.

## Results of Operations

The following table sets forth our statements of operations for each of the periods indicated:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
<b>Revenues</b>				
Subscription and support	\$ 142,054	\$ 126,081	\$ 408,361	\$ 360,289
Professional services	8,654	8,187	25,905	22,692
Total revenues	<u>150,708</u>	<u>134,268</u>	<u>434,266</u>	<u>382,981</u>
<b>Cost of revenues</b>				
Subscription and support	30,793	25,544	89,935	75,495
Professional services	6,001	6,882	19,246	20,527
Total cost of revenues	<u>36,794</u>	<u>32,426</u>	<u>109,181</u>	<u>96,022</u>
Gross profit	<u>113,914</u>	<u>101,842</u>	<u>325,085</u>	<u>286,959</u>
<b>Operating expenses</b>				
Sales and marketing	61,576	64,540	186,256	190,567
Research and development	26,722	27,721	80,629	80,871
General and administrative	18,026	31,000	46,854	74,997
Restructuring costs	8,664	—	9,813	—
Total operating expenses	<u>114,988</u>	<u>123,261</u>	<u>323,552</u>	<u>346,435</u>
Income (loss) from operations	<u>(1,074)</u>	<u>(21,419)</u>	<u>1,533</u>	<u>(59,476)</u>
<b>Other income (expense)</b>				
Interest income	14,030	4,387	37,237	6,620
Interest expense	(1,489)	(1,482)	(4,414)	(4,386)
Other income, net	<u>12,541</u>	<u>2,905</u>	<u>32,823</u>	<u>2,234</u>
Income (loss) before income taxes	<u>11,467</u>	<u>(18,514)</u>	<u>34,356</u>	<u>(57,242)</u>
Provision for (benefit from) income taxes	<u>(2,005)</u>	<u>474</u>	<u>(451)</u>	<u>(12,852)</u>
Net income (loss)	<u>13,472</u>	<u>(18,988)</u>	<u>34,807</u>	<u>(44,390)</u>
Net income (loss) attributable to redeemable non-controlling interest	194	(344)	599	(468)
Adjustment attributable to redeemable non-controlling interest	<u>1,355</u>	<u>1,375</u>	<u>3,444</u>	<u>(3,227)</u>
Net income (loss) attributable to BlackLine, Inc.	<u>\$ 11,923</u>	<u>\$ (20,019)</u>	<u>\$ 30,764</u>	<u>\$ (40,695)</u>

### Comparison of Quarters and Nine Months Ended September 30, 2023 and 2022

#### Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(in thousands, except percentages)							
Subscription and support	\$ 142,054	\$ 126,081	\$ 15,973	13 %	\$ 408,361	\$ 360,289	\$ 48,072	13 %
Professional services	8,654	8,187	467	6 %	25,905	22,692	3,213	14 %
Total revenues	<u>\$ 150,708</u>	<u>\$ 134,268</u>	<u>\$ 16,440</u>	<u>12 %</u>	<u>\$ 434,266</u>	<u>\$ 382,981</u>	<u>\$ 51,285</u>	<u>13 %</u>

	September 30,	
	2023	2022
Dollar-based net revenue retention rate	105 %	109 %
Number of customers	4,368	4,060
Number of users	381,892	354,924

The increase in revenues for the quarter and nine months ended September 30, 2023, compared to the quarter and nine months ended September 30, 2022, was primarily due to a net increase in the number of customers and users. The total number of customers and users at September 30, 2023, increased by 8% and 8%, respectively, as compared to September 30, 2022.

### Cost of revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Subscription and support	\$ 30,793	\$ 25,544	\$ 5,249	21 %	\$ 89,935	\$ 75,495	\$ 14,440	19 %
Professional services	6,001	6,882	(881)	(13)%	19,246	20,527	(1,281)	(6)%
Total cost of revenues	\$ 36,794	\$ 32,426	\$ 4,368	13 %	\$ 109,181	\$ 96,022	\$ 13,159	14 %
Gross margin	75.6 %	75.8 %			74.9 %	74.9 %		

The increase in total cost of revenues for the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022, was primarily due to the following:

- \$3.2 million increase in computer software and data center expenses due to higher spend on cloud hosting services as customers continue to migrate to the Google Cloud Platform, as well as an increase in software purchases;
- \$1.3 million increase in amortization of developed technology due to net additions to software placed into service; and
- \$0.4 million increase in depreciation and amortization; partially offset by
- \$0.4 million decrease in transaction-related costs related to the FourQ Acquisition; and
- \$0.4 million net decrease in salaries, benefits, and stock-based compensation.

The increase in total cost of revenues for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was primarily due to the following:

- \$7.7 million increase in computer software and data center expenses due to higher spend on cloud hosting services as customers continue to migrate to the Google Cloud Platform, as well as an increase in software purchases;
- \$4.3 million increase in amortization of developed technology due to net additions to software placed into service;
- \$1.2 million increase in salaries, benefits, and stock-based compensation; and
- \$1.1 million increase in depreciation and amortization primarily attributed to developed technology from the FourQ Acquisition; partially offset by
- \$0.7 million decrease in transaction-related costs related to the FourQ Acquisition; and
- \$0.6 million decrease in professional fees.

### Sales and marketing

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Sales and marketing	\$ 61,576	\$ 64,540	\$ (2,964)	(5 %)	\$ 186,256	\$ 190,567	\$ (4,311)	(2 %)
Percentage of total revenues	40.9 %	48.1 %			42.9 %	49.8 %		

The decrease in sales and marketing expenses for the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022, was primarily due to the following:

- \$5.3 million decrease in salaries, benefits, and stock-based compensation driven primarily by a decrease in headcount;

- \$0.6 million decrease in transaction-related costs related to the FourQ Acquisition; and
- \$0.3 million decrease in professional fees; partially offset by
- \$2.9 million increase in marketing expenses; and
- \$0.8 million increase in travel and entertainment.

The decrease in sales and marketing expenses for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was primarily due to the following:

- \$7.8 million decrease in salaries, benefits, and stock-based compensation driven primarily by a decrease in headcount and lower bonuses;
- \$1.9 million decrease in transaction-related costs related to the FourQ Acquisition; and
- \$1.4 million decrease in professional fees; partially offset by
- \$6.4 million increase in marketing expenses; and
- \$0.8 million increase in travel and entertainment.

### Research and development

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Research and development, gross	\$ 31,399	\$ 32,922	\$ (1,523)	(5 %)	\$ 96,736	\$ 95,607	\$ 1,129	1 %
Capitalized internally developed software costs	(4,677)	(5,201)	524	(10 %)	(16,107)	(14,736)	(1,371)	9 %
Research and development, net	\$ 26,722	\$ 27,721	\$ (999)	(4 %)	\$ 80,629	\$ 80,871	\$ (242)	— %
Percentage of total revenues	17.7 %	20.6 %			18.6 %	21.1 %		

The decrease in research and development expenses for the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022, was primarily due to the following:

- \$1.3 million decrease in transaction-related costs related to the FourQ Acquisition; and
- \$0.8 million net decrease in salaries, benefits, and stock-based compensation driven primarily by a decrease in corporate bonuses, partially offset by an increase in average salaries; partially offset by
- \$0.5 million decrease in capitalized software due to significant new and enhanced functionality of our solutions. Collectively, this decrease resulted in an increase in net expenses.

The decrease in research and development expenses for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was primarily due to the following:

- \$3.7 million decrease in transaction-related costs related to the FourQ Acquisition;
- \$1.4 million decrease in professional fees; and
- \$1.4 million increase in capitalized software due to new significant new and enhanced functionality of our solutions, as well as increased capitalized costs due to higher headcount. Collectively, these increases resulted in a decrease in net expenses; partially offset by
- \$4.2 million net increase in salaries, benefits, and stock-based compensation driven primarily by an increase in average salaries, partially offset by a decrease in corporate bonuses;
- \$1.2 million increase in computer software; and
- \$1.1 million increase in depreciation and amortization.

### General and administrative

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
General and administrative	\$ 18,026	\$ 31,000	\$ (12,974)	(42 %)	\$ 46,854	\$ 74,997	\$ (28,143)	(38 %)
Percentage of total revenues	12.0 %	23.1 %			10.8 %	19.6 %		

The decrease in general and administrative expenses for the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022, was primarily due to the following:

- \$12.9 million decrease in the fair value of contingent consideration primarily related to a decrease in FourQ contingent consideration in the quarter ended September 30, 2023 (refer to "Note 7 - Fair Value Measurements"); and
- \$0.3 million decrease due to net foreign currency gains; partially offset by
- \$0.9 million net increase in transaction-related costs, of which there was a \$1.1 million increase related to the Data Interconnect Acquisition and a \$0.2 million decrease related to the FourQ Acquisition.

The decrease in general and administrative expenses for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was primarily due to the following:

- \$33.5 million decrease in contingent consideration related to the FourQ Acquisition in the nine months ended September 30, 2023, compared to a \$14.1 million decrease in contingent consideration, primarily related to the Rimilia Acquisition in the nine months ended September 30, 2022 (refer to "Note 7 - Fair Value Measurements");
- \$3.9 million net decrease in transaction-related costs, of which there was a \$5.0 million decrease related to the FourQ Acquisition and a \$1.1 million increase related to the Data Interconnect Acquisition;
- \$3.3 million decrease due to net foreign currency gains;
- \$2.4 million decrease in professional fees; and
- \$0.5 million decrease in offices expenses; partially offset by
- \$2.8 million increase in salaries, benefits, and stock-based compensation.

### Restructuring costs

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Restructuring costs	\$ 8,664	\$ —	\$ 8,664	N/M	\$ 9,813	\$ —	\$ 9,813	N/M

The increase in restructuring costs during the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022, was due to one-time termination benefits related to the fiscal 2023 restructuring for which there were no expenses in the prior periods.

The increase in restructuring costs during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was due to one-time termination benefits related to the fiscal 2023 and fiscal 2022 restructuring for which there were no expenses in the prior periods. Refer to "Note 9 - Restructuring Costs" for additional information.



### Interest income

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(in thousands, except percentages)							
Interest income	\$ 14,030	\$ 4,387	\$ 9,643	220 %	\$ 37,237	\$ 6,620	\$ 30,617	N/M

The increase in interest income during the quarter and nine months ended September 30, 2023, compared to the quarter and nine months ended September 30, 2022, was primarily due to increased average interest rates on our investments and cash balances.

### Interest expense

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(in thousands, except percentages)							
Interest expense	\$ 1,489	\$ 1,482	\$ 7	— %	\$ 4,414	\$ 4,386	\$ 28	1 %

Interest expense during the quarter ended and nine months ended September 30, 2023, compared to the quarter and nine months ended September 30, 2022, was essentially flat and consisted of interest expense on our 2024 Notes and 2026 Notes. We do not expect interest expense to fluctuate significantly over the next 12 months as the interest rates on our Notes are fixed.

### Provision for (benefit from) income taxes

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(in thousands, except percentages)							
Provision for (benefit from) income taxes	\$ (2,005)	\$ 474	\$ (2,479)	N/M	\$ (451)	\$ (12,852)	\$ 12,401	(96)%

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the quarter ended September 30, 2023, our annual estimated effective tax rate differed from the U.S. federal statutory rate of 21% primarily as a result of state taxes, foreign taxes, and changes in our valuation allowance for income taxes.

For the quarters ended September 30, 2023 and 2022, we recorded \$2.0 million income tax benefit and \$0.5 million income tax expense, respectively. The income tax benefit for the quarter ended September 30, 2023, compared to the income tax expense for the quarter ended September 30, 2022 resulted primarily from the current quarter's partial release of \$1.7 million of existing valuation allowance as net deferred tax liabilities acquired from DI are a source of taxable income to support recognition of existing BlackLine UK deferred tax assets, along with changes in the mix of profitable jurisdictions.

For the nine months ended September 30, 2023 and 2022, we recorded \$0.5 million and \$12.9 million in income tax benefit, respectively. The \$12.4 million difference resulted primarily from the release of \$14.2 million of existing valuation allowance recognized during the nine months ended September 30, 2022 in connection with the FourQ acquisition, along with changes in the mix of profitable jurisdictions, partially offset by the current quarter's release of \$1.7 million of existing valuation allowance in connection with the DI Acquisition.

### Liquidity and Capital Resources

At September 30, 2023, our principal sources of liquidity were an aggregate of \$1.2 billion of cash and cash equivalents and marketable securities, which primarily consist of short-term, investment-grade U.S. treasury securities, commercial paper, and U.S. government agency securities. We had \$1.4 billion aggregate principal amount of Notes outstanding at September 30, 2023, of which \$250 million is expected to become due within the next 12 months. We plan to and believe we are able to make all expected principal and interest payments in the next 12 months.

We believe our existing cash and cash equivalents, investments in marketable securities and cash from operations will be sufficient to meet our working capital needs, capital expenditures, and financing obligations for at least the next 12 months.

### **Contractual Obligations and Commitments**

#### *Notes Payable*

In connection with the offering of the 2024 Notes, we entered into the 2024 Capped Calls with certain counterparties covering, subject to anti-dilution adjustments, approximately 3.4 million shares of our common stock and are generally expected to offset the potential economic dilution of our common stock up to the initial cap price. The 2024 Capped Calls have an initial strike price of \$73.40 per share - subject to certain adjustments, which corresponds to the initial conversion price of the 2024 Notes - and an initial cap price of \$106.76 per share, subject to certain adjustments. As of September 30, 2023, all of the 2024 Capped Calls remained outstanding.

In connection with the offering of the 2026 Notes, we entered into the 2026 Capped Calls with certain counterparties covering, subject to anti-dilution adjustments, approximately 6.9 million shares of our common stock and are generally expected to offset the potential economic dilution of our common stock up to the initial cap price. The 2026 Capped Calls have an initial strike price of \$166.23 per share - subject to certain adjustments, which corresponds to the initial conversion price of the 2026 Notes - and an initial cap price of \$233.31 per share, subject to certain adjustments. As of September 30, 2023, all of the 2026 Capped Calls remained outstanding.

#### *Lease Liabilities*

As of September 30, 2023, we have obligations totaling \$21.5 million related to existing property and equipment leases.

#### *Purchase Obligations*

Purchase obligations represent our most significant contractual obligations in the ordinary course of business for which we have not received the related goods or services, in whole or in part. At September 30, 2023, we have \$38.8 million of contractual obligations related to nine commitments, with \$22.8 million payable within 12 months, and have additional contractual obligations with other vendors that are individually immaterial and which we can readily settle given our liquidity position and capital resources.

#### *Contingent Consideration*

We are obligated to pay \$8.0 million of contingent consideration related to our 2013 Acquisition on or before November 15, 2023 since we realized taxable income for the year ended December 31, 2022. In addition, while we are potentially obligated to pay a maximum of \$73.2 million of contingent consideration between January 2022 and January 2025 related to our FourQ Acquisition if certain financial performance milestones are met, during the quarter ended September 30, 2023, we reduced FourQ's contingent consideration by \$11.1 million to zero. Changes in the fair value of contingent consideration are recorded as general and administrative expenses in the unaudited condensed consolidated statements of operations.

#### *Unrecognized Tax Liabilities*

As of September 30, 2023, while we have liabilities for unrecognized tax benefits of \$6.4 million, due to their nature, there is a high degree of uncertainty regarding the timing of future cash outflows and other events that extinguish these liabilities.

#### *Letters of Credit*

Commitments under letters of credit at September 30, 2023 were scheduled to expire as follows (in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	Thereafter
Letters of credit	\$ 441	\$ —	\$ 33	\$ 296	\$ 112

Letters of credit are maintained pursuant to certain of our lease arrangements. The letters of credit remain in effect at varying levels through the terms of the related agreements.

#### *Future Capital Requirements*

Our future capital requirements will depend on many factors, including our growth rate, the expansion of our direct sales force, strategic relationships and international operations, the timing and extent of spending to support

research and development efforts, future merger and acquisition activity, and the continuing market acceptance of our solutions. From time to time, we have required, and may in the future require or opportunistically raise, additional equity or debt financing. Sales of additional equity or equity-linked securities could result in dilution to our stockholders. If we raise funds by borrowing from third parties, the terms of those financing arrangements would require us to incur interest expense and may include negative covenants or other restrictions on our business that could impair our operating flexibility. We can provide no assurance that financing will be available at all or, if available, that we would be able to obtain financing on terms favorable to us. If we are unable to raise additional capital when needed, we would be required to curtail our operating activities and capital expenditures, and our business operating results and financial condition would be adversely affected.

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 84,444	\$ 30,259
Net cash used in investing activities	\$ (58,296)	\$ (378,490)
Net cash provided by (used in) financing activities	\$ 9,399	\$ (195)

### Net Cash Provided By Operating Activities

Our net income (loss) and cash flows from operating activities are significantly influenced by our infrastructure to support anticipated growth. In recent periods, our net loss has generally been significantly greater than our use of cash for operating activities due to our subscription-based revenue model in which billings occur in advance of revenue recognition, as well as the substantial amount of non-cash charges which we incur. Non-cash charges primarily include depreciation and amortization, stock-based compensation, change in fair value of contingent consideration, non-cash lease expense, amortization of debt issuance costs, and deferred taxes.

For the nine months ended September 30, 2023, cash provided by operations was \$84.4 million, resulting from net non-cash expenses of approximately \$47.1 million, net income of \$34.8 million, and net cash flows provided as a result of changes in operating assets and liabilities of \$2.5 million. The \$2.5 million of net cash flows provided as a result of changes in our operating assets and liabilities reflected primarily the following:

- \$20.4 million decrease in accounts receivable due to increased collections;
- \$1.4 million decrease in other assets due to lower prepaid commissions; and
- \$1.2 million increase in accrued expenses and other current liabilities.

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

- \$9.4 million decrease in accounts payable due to timing of payments;
- \$5.2 million decrease in operating lease liabilities;
- \$2.6 million decrease in other long-term liabilities primarily related to the FourQ Acquisition;
- \$2.2 million increase in prepaid expenses and other current assets; and
- \$1.3 million decrease in deferred revenue.

For the nine months ended September 30, 2022, cash provided by operations was \$30.3 million, resulting from net non-cash expenses of approximately \$63.2 million and net cash flows provided as a result of changes in operating assets and liabilities of \$11.5 million, partially offset by our net loss of \$44.4 million. The \$11.5 million of net cash flows provided as a result of changes in our operating assets and liabilities reflected primarily the following:

- \$18.3 million decrease in accounts receivable due to increased collections;
- \$4.6 million increase in other long-term liabilities;
- \$2.5 million increase in deferred revenue as a result of the growth of our customer and user bases; and
- \$2.2 million decrease in prepaid expenses and other current assets.

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

- \$6.4 million increase in other assets due to higher prepaid commissions related to increased sales;
- \$5.3 million decrease in operating lease liabilities;
- \$4.6 million decrease in accounts payable; and
- \$0.6 million decrease in accrued expenses and other current liabilities.

#### ***Net Cash Used In Investing Activities***

Our investing activities consist primarily of investments in, and maturities and sales of, marketable securities, capitalized software development costs, and capital expenditures for property and equipment.

For the nine months ended September 30, 2023, cash used in investing activities was \$58.3 million as a result of the following:

- \$26.2 million of purchases of marketable securities, net of proceeds from maturities;
- \$16.8 million for capitalized software development costs;
- \$11.4 million paid for the DI acquisition, net of cash acquired; and
- \$3.9 million in purchases of property and equipment.

For the nine months ended September 30, 2022, cash used in investing activities was \$378.5 million as a result of the following:

- \$196.1 million of purchases of marketable securities, net of proceeds from maturities;
- \$157.7 million, net of cash acquired, paid for the acquisition of FourQ;
- \$15.0 million for capitalized software development costs; and
- \$9.7 million in purchases of property and equipment.

#### ***Net Cash Provided By (Used In) Financing Activities***

For the nine months ended September 30, 2023, cash provided by financing activities was \$9.4 million primarily as a result of the following:

- \$19.0 million of proceeds from exercises of stock options; and
- \$5.3 million proceeds from the employee stock purchase plan; partially offset by
- \$14.1 million for acquisitions of common stock for tax withholding obligations.

For the nine months ended September 30, 2022, cash used in financing activities was \$0.2 million as a result of the following:

- \$7.9 million of acquisitions of common stock for tax withholding obligations, partially offset by
- \$4.5 million of proceeds from the employee stock purchase plan; and
- \$3.7 million of proceeds from exercise of stock options.

#### ***Critical Accounting Estimates***

Our consolidated financial statements are prepared in accordance with GAAP, which require us to make estimates and assumptions about future events that affect the amounts reported in our unaudited condensed consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. During the quarter ended September 30, 2023, there were no significant changes to our critical estimates as detailed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

#### ***Recent Accounting Pronouncements***

See Note 2 - "Basis of Presentation, Significant Accounting Policies and Recently-Issued Accounting Pronouncements" contained in the "Notes to Unaudited Condensed Consolidated Financial Statements" in Item 1 of Part I of this Quarterly Report on Form 10-Q for a full description of the recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risks**

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce these risks, we monitor the financial condition of our customers and limit credit exposure by collecting in advance and setting credit limits as we deem appropriate. In addition, our investment strategy has historically been to invest in financial instruments that are highly liquid and readily convertible into cash and that mature within three months from the date of purchase. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

#### ***Interest Rate Risk***

We are exposed to market risk related to changes in interest rates.

In August 2019, we issued \$500.0 million aggregate principal amount of the 2024 Notes. The 2024 Notes have a fixed annual interest rate of 0.125%; therefore, we do not have economic interest rate exposure with respect to the 2024 Notes. In March 2021, we issued \$1.15 billion aggregate principal amount of the 2026 Notes. The 2026 Notes have a fixed annual interest rate of 0.0%; therefore, we do not have economic interest rate exposure with respect to the 2026 Notes. However, the fair value of the Notes is exposed to interest rate risk. Generally, the fair market value of the Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the Notes is affected by our common stock price. The fair value of the Notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines. Additionally, we carry the Notes at face value less unamortized issuance costs on our consolidated balance sheet, and we present the fair value for required disclosure purposes only.

We had cash and cash equivalents and marketable securities of \$1.2 billion at September 30, 2023. Our cash equivalents and marketable securities consist of highly liquid, investment-grade U.S. treasury securities, commercial paper, and U.S. government agency securities. The carrying amount of our cash equivalents and marketable securities reasonably approximates fair value due to the highly liquid nature of these instruments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We 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 market value of our investments. Due to the short-term nature of our investment portfolio, however, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market 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.

We do not believe our cash equivalents and marketable securities have significant risk of default or illiquidity. While we believe our cash equivalents and marketable securities do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits. We cannot be assured that we will not experience losses on these deposits.

#### ***Foreign Currency Risk***

While we primarily transact with customers in the U.S. Dollar, we also transact in foreign currencies, including the Australian Dollar, British Pound, Canadian Dollar, Euro, and Singapore Dollar due to foreign operations and customer sales. We expect to continue to grow our foreign operations and customer sales. Our international subsidiaries maintain certain asset and liability balances that are denominated in currencies other than the functional currencies of these subsidiaries, which is the U.S. Dollar for all international subsidiaries, with the exception of our Japanese subsidiary, for which the Japanese Yen is the functional currency. Changes in the value of foreign currencies relative to the U.S. Dollar can result in fluctuations in our total assets, liabilities, revenue, operating expenses, and cash flows. The effect of a hypothetical 10% increase or decrease in foreign currency exchange rates applicable to our business would have reduced by \$2.9 million or increased by \$2.9 million, respectively, our cash balances at September 30, 2023.

As our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. Dollar can increase the costs of our international expansion. To date, we have not entered into any foreign currency hedging contracts, since exchange rate fluctuations have not had a material impact on our

operating results and cash flows. Based on the current level of foreign operations and customer sales, we do not plan on engaging in hedging activities in the near future.

### ***Inflation Risk***

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

## **Item 4. Controls and Procedures**

### ***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or “the Exchange Act” means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms; and that such information is accumulated and communicated to the company’s management, including its principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officers and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures at September 30, 2023, the last day of the period covered by this Quarterly Report. Based on this evaluation, our principal executive officers and principal financial officer have concluded that, at September 30, 2023, our disclosure controls and procedures were effective at a reasonable assurance level.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Limitations on the Effectiveness of Controls and Procedures***

In designing and evaluating our disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and our management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures and internal control over financial reporting also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we may be subject to legal proceedings, including claims, litigation, investigations and inquiries arising in the ordinary course of business. In addition, from time to time, third parties may assert intellectual property infringement claims against us in the form of letters and other forms of communication. As of the date of this Quarterly Report on Form 10-Q, we are not a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our results of operations, prospects, cash flows, financial position or brand.

### **Item 1A. Risk Factors**

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The*

*risks and uncertainties described below are not the only ones we face. Additional risk and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, operating results, financial condition, cash flows, and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.*

### **Summary Risk Factors**

Our business is subject to numerous risks and uncertainties that you should consider before investing in our company, as fully described below. The principal factors and uncertainties that make investing in our company risky include, among others:

- If we are unable to attract new customers and expand sales to existing customers, our growth could be slower than we expect and our business may be harmed.
- Our business and growth depend substantially on customers renewing their subscription agreements with us, and any decline in our customer renewals could adversely affect our operating results.
- Current and future economic uncertainty and other unfavorable conditions in our industry or the global economy could limit our ability to grow our business and negatively affect our operating results.
- We have a history of losses and we may not be able to generate sufficient revenue to achieve or sustain profitability.
- We continue to experience growth and organizational change and if we fail to manage our growth effectively, we may be unable to execute our business plan.
- Our quarterly results may fluctuate, and if we fail to meet the expectations of analysts or investors, our stock price and the value of your investment could decline substantially.
- If we are not able to provide successful enhancements, new features or modifications to our software solutions, our business could be adversely affected.
- We derive substantially all of our revenues from a limited number of software solutions, and our growth is dependent on their success.
- If our relationships with technology vendors and business process outsourcers are not successful, our business and growth may be harmed.
- If our security controls are breached or if unauthorized, or inadvertent access to customer, employee or other confidential data is otherwise obtained, our software solutions may be perceived as insecure, we may lose existing customers or fail to attract new customers, our business may be harmed and we may incur significant liabilities.
- The development and use of generative artificial intelligence and machine learning technologies (AI/ML) in our platform and our business, as well as our potential failure to effectively implement, use, and market these technologies, may result in reputation harm or liability, or could otherwise adversely affect our business.
- Interruptions or performance problems associated with our software solutions, platform and technology may adversely affect our business and operating results.
- If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle product liability claims.
- The market in which we participate is intensely competitive, and if we do not compete effectively, our business and operating results could be harmed.
- The market price of our common stock may be volatile, and you could lose all or part of your investment.

### **Risks Related to Our Business and Industry**

***If we are unable to attract new customers and expand sales to existing customers, our growth could be slower than we expect and our business may be harmed.***

Our growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenues will depend, in large part, upon the effectiveness of our sales and marketing efforts, both domestically and

internationally. We may have difficulty attracting potential customers that rely on tools such as Excel, or that have already invested substantial personnel and financial resources to integrate on-premise or other software into their businesses, as such organizations may be reluctant or unwilling to invest in a new product. If we fail to attract new customers or maintain and expand those customer relationships, our revenues will grow more slowly than expected and our business will be harmed.

Our growth also depends upon our ability to add users and sell additional products to our existing customers. It is important for the growth of our business that our existing customers make additional significant purchases of our products and add additional users to our platform. Although our customers, users, and revenue have grown rapidly in the past, in recent periods our slower growth rates have reflected the size and scale of our business, as well as our focus on our strategic products. We cannot be assured that we will achieve similar growth rates in future periods as our customers, users, and revenue could decline or grow more slowly than we expect. Our business also depends on retaining existing customers. If we do not retain customers, including due to the acquisition of our customers by other companies, or our customers do not purchase additional products or we do not add additional users to our platform, our revenues may grow more slowly than expected, may not grow at all or may decline. Additionally, increasing incremental sales to our current customer base may require additional sales efforts that are targeted at senior management, which efforts are often associated with complex customer requirements and additional time to evaluate and test our products, and can lead to long and unpredictable sales cycles, particularly in the current macroeconomic environment. There can be no assurance that our efforts will result in increased sales to existing customers or additional revenues.

Our sales and marketing efforts have been and may continue to be impacted by geopolitical developments and other events beyond our control, such as bank insolvency and related uncertainty and volatility in the financial services industry, market price volatility, and macroeconomic trends. Such events can increase levels of political and economic unpredictability globally, which has resulted in increased price sensitivity on the part of certain current and prospective customers, and could negatively impact sales for certain of our premium-priced offerings. In addition, effects of the pandemic such as the ongoing supply chain disruption and labor shortages have adversely affected us, our customers, and our vendors.

***Our business and growth depend substantially on customers renewing their subscription agreements with us and any decline in our customer renewals could adversely affect our operating results.***

Our initial subscription period for the majority of our customers is one to three years. In order for us to continue to increase our revenue, it is important that our existing customers renew their subscription agreements when the contract term expires. Although our agreements typically include automatic renewal language, our customers may cancel their agreements at the expiration of the term. In addition, our customers may renew for fewer users, renew for shorter contract lengths or renew for fewer products or solutions. Renewal rates may decline or fluctuate as a result of a variety of factors, including satisfaction or dissatisfaction with our software or professional services, our pricing or pricing structure, the pricing or capabilities of products or services offered by our competitors, the effects of economic conditions, or reductions in our customers' budgets and spending levels. For example, macroeconomic trends have impacted and may continue to impact our renewal rate. Any prolonged downturn in the global economy in general, or in particular sectors, such as technology or financial services, would adversely affect the industries in which our customers operate, which could adversely affect our customers' ability or willingness to renew their subscription agreements or could cause our customers to downgrade the terms of their subscription agreements.

Further, as the markets for our existing solutions mature, or as current and future competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are profitable to us. If this were to occur, it is possible that we would have to change our pricing model, offer price incentives or reduce our prices. If our customers do not renew their agreements with us or renew on terms less favorable to us, our revenues may decline.



***Current and future economic uncertainty and other unfavorable conditions in our industry or the global economy could limit our ability to grow our business and negatively affect our operating results.***

Our operating results may vary based on the impact of changes in our industry or the global economy on us or our customers. The revenue growth and potential profitability of our business depend on demand for business software applications and services generally, and for accounting and finance systems in particular. We are currently operating in a period of economic uncertainty and cannot predict the timing, strength, or duration of any economic downturn. The global economy has been, and continues to be, adversely affected by concerns of inflation and rising interest rates, adverse business conditions and liquidity concerns, as well as volatility and uncertainty in the banking and financial services sector. These general macroeconomic conditions could adversely affect demand for our products and make it difficult to accurately forecast and plan our future business activities. For example, beginning in the second quarter of 2022, we observed certain customers delaying and deferring purchasing decisions, which has resulted in the deterioration of near-term demand. In addition, professional services revenue may decrease as new implementation projects are delayed. To the extent unfavorable conditions in the national and global economy persist or worsen, our business could be harmed as current and potential customers may reduce accounting, finance, and technology budgets and spending, or postpone or choose not to purchase or renew subscriptions to our products, which they may consider discretionary. Weakening economic conditions, and related corporate cost-cutting and tighter budgets, could affect the rate of accounting and finance and information technology spending and adversely affect our current or potential customers' ability or willingness to purchase our cloud platform, as well as further delay purchasing decisions, reduce the value or duration of their subscription contracts, or affect attrition rates, all of which would adversely affect our operating results. Prolonged economic uncertainties relating to macroeconomic trends could limit our ability to grow our business and negatively affect our operating results. Unfavorable trends in the national or global economy, such as rising interest rates and conditions resulting from financial and credit market fluctuations may cause our customers and prospective customers to decrease their accounting and finance and information technology budgets, which would limit our ability to grow our business and negatively affect our operating results. The occurrence of a natural disaster, global public health crisis, geopolitical uncertainty or war has caused, and in the future may cause, customers to request concessions, including extended payment terms, free modules or better pricing.

In addition, our customers may be affected by changes in trade policies, treaties, government regulations and tariffs, as well as geopolitical volatility. Trade protection measures, retaliatory actions, tariffs and increased barriers, policies favoring domestic industries, or increased import or export licensing requirements or restrictions, such as trade sanctions against Russia in response to the war in Ukraine, could have a negative effect on the overall macro economy and our customers, which could have an adverse impact on our operating results.

The aftermath of Brexit also continues to cause significant political and economic uncertainty in both the UK and the European Union ("EU"). As a result, the level of economic activity generally in this region could be adversely impacted, negatively affecting customer demand for our products and our operating results.

Uncertain economic conditions may also adversely affect third parties with which we have entered into relationships and upon which we depend in order to grow our business, such as technology vendors and public cloud providers. As a result, we may be unable to continue to grow in the event of prolonged economic uncertainty or future economic slowdowns. See Risks Related to Our Dependence on Third Parties.

***We continue to experience growth in our operations, and organizational change, and if we fail to manage our growth effectively, we may be unable to execute our business plan.***

Growth in our customer base and operations has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources, particularly as we focus on cost discipline and efficiency. We anticipate that additional investments in our infrastructure will be necessary to support the growth of our operations both domestically and internationally. These additional investments will increase our costs, with no assurance that our business or revenue will grow sufficiently to cover these additional costs. Labor shortages and increased employee mobility may make it more difficult to hire and retain certain types of employees. For example, labor shortages have, at times, created greater competition for engineering talent, and we have had to expend additional resources to respond to attrition and to hire and retain new engineers. Additionally, our workforce continues to be partially remote, and we expect that it will remain partially remote for the near term. We may experience difficulties onboarding new employees remotely, and maintaining a global organization and managing a geographically dispersed workforce requires substantial management effort, the allocation of valuable management resources, and significant additional investment in our infrastructure. We may be unable to improve our operational, financial and management controls and our reporting procedures to effectively manage our operations and growth, which could negatively affect our results of operations and overall business. In addition, we may be unable to

manage our expenses effectively in the future, which may negatively impact our gross margins or operating expenses and cause us to realign resources in order to improve operational efficiency, which may include a slowdown in hiring or reduction in force, such as the workforce reduction initiated in December 2022, and the more recent reduction in force announced as part of a broader restructuring plan in August 2023. Moreover, if we fail to manage our anticipated growth or any realignment of resources, such as a restructuring or reduction in force, in a manner that preserves the key aspects of our corporate culture, employee morale, productivity and the quality of our software solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

***If we are not able to provide successful enhancements, new features or modifications to our software solutions, our business could be adversely affected.***

If we are unable to provide enhancements and new features for our existing solutions or new solutions that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, advancements in technology and the introduction of products by our competitors or others incorporating new technologies, such as AI/ML, the emergence of new industry standards, or changes in customer requirements, may alter the market for our products, and businesses that are slow to adopt or fail to adopt these new technologies may face a competitive disadvantage. The success of enhancements, new products and solutions depends on several factors, including timely completion, introduction and market acceptance. We must continue to meet changing expectations and requirements of our customers and, because our platform is designed to operate on a variety of systems, we will need to continuously modify and enhance our solutions to keep pace with changes in internet-related hardware and other software, communication, browser and database technologies. Our platform is also designed to integrate with existing ERP systems such as Microsoft Dynamics, Oracle, and SAP, and will require modifications and enhancements as these systems change over time. Any failure of our solutions to operate effectively with future platforms and technologies could reduce the demand for our solutions or result in customer dissatisfaction. Furthermore, uncertainties about the timing and nature of new solutions or technologies, or modifications to existing solutions or technologies, could increase our research and development expenses. If we are not successful in developing modifications and enhancements to our solutions or if we fail to bring them to market in a timely fashion, our solutions may become less marketable, less competitive or obsolete, our revenue growth may be significantly impaired and our business could be adversely affected.

***We derive substantially all of our revenues from a limited number of software solutions, and our growth is dependent on their success.***

We currently derive a significant portion of our revenue from our Close Process Management solution, and expect to continue to derive a majority of our revenues from our Close Process Management solution. As a result, the continued growth in market demand for this solution is critical to our continued success. We cannot be certain that any new software solutions or products we introduce will generate significant revenues. Accordingly, our business and financial results have been and will be substantially dependent on a limited number of solutions.

***If our security controls are breached or unauthorized, or inadvertent access to customer, employee or other confidential data is otherwise obtained, our software solutions may be perceived as insecure, we may lose existing customers or fail to attract new customers, our business may be harmed and we may incur significant liabilities.***

Use of our platform involves the storage, transmission and processing of our customers' proprietary data, including highly confidential financial information regarding their business and personal or identifying information of their customers or employees. Additionally, we maintain our own proprietary, confidential and otherwise sensitive information. Our platform is at risk for security breaches and incidents as a result of third-party action, employee, vendor or contractor error, cyberattacks (including from nation states and affiliated actors) and other forms of hacking, malfeasance, ransomware and other malicious software, or other factors. The risk of a cybersecurity incident occurring has increased as more companies and individuals work remotely, potentially exposing us to new, complex threats. Additionally, due to political uncertainty and military actions associated with the war in Ukraine, we and our service providers may be vulnerable to heightened risks of cyber attacks, and we may be unable to defend against any such attacks. If any unauthorized or inadvertent access to, or a security breach or incident impacting our platform or other systems or networks used in our business occurs, such event could result in the loss, alteration, or unavailability of data, unauthorized access to, or use or disclosure of data, and any such event, or the belief or perception that it has occurred, could result in a loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, and damages for contract breach or penalties for violation of applicable laws or regulations. Additionally, service

providers who store or otherwise process data on our behalf, including third party and public-cloud infrastructure, also face security risks. As we rely more on third-party and public-cloud infrastructure, such as Google Cloud Platform, and other third-party service providers, we will become more dependent on third-party security measures to protect against unauthorized access, cyberattacks and the mishandling of customer, employee and other confidential data and we may be required to expend significant time and resources to address any incidents related to the failure of those third-party security measures. Our ability to monitor our third-party service providers' data security is limited, and in any event, attackers may be able to circumvent our third-party service providers' data security measures. There have been and may continue to be significant attacks on certain third-party providers, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached or otherwise compromised, or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our platform. We may also suffer breaches of, or incidents impacting, our internal systems. Security breaches or incidents impacting our platform or our internal systems could also result in significant costs incurred in order to remediate or otherwise respond to a breach or incident, which may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, and other costs, expenses and liabilities. We may be required to or find it appropriate to expend substantial capital and other resources to alleviate problems caused by any actual or perceived security breaches or incidents.

Additionally, many jurisdictions have enacted or may enact laws and regulations requiring companies to notify individuals of data security breaches involving certain types of personal data. These or other disclosures regarding a security breach or incident could result in negative publicity to us, which may cause our customers to lose confidence in the effectiveness of our data security measures which could impact our operating results.

We incur significant expenses to minimize the risk of security breaches, including deploying additional personnel and protection technologies, training employees annually, and engaging third-party experts and contractors. We continually increase our investments in cybersecurity to counter emerging risks and threats. If a high profile security breach or incident occurs with respect to another Software as a Service ("SaaS") provider or other technology companies, our current and potential customers may lose trust in the security of our platform or in the SaaS business model generally, which could adversely impact our ability to retain existing customers or attract new ones. Such a breach or incident, or series of breaches or incidents, could also result in regulatory or contractual security requirements that could make compliance challenging. Even in the absence of any security breach or incident, customer concerns about privacy, security, or data protection may deter them from using our platform for activities that involve personal or other sensitive information.

Because the techniques used to obtain unauthorized access or to sabotage systems change frequently, and often are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We may also experience security breaches and incidents that may remain undetected for an extended period of time. Periodically, we experience cyber security events including "phishing" attacks targeting our employees, web application and infrastructure attacks, and other information technology incidents. These threats continue to evolve in sophistication and volume and are difficult to detect and predict due to advances in electronic warfare techniques, new discoveries in the field of cryptography and new and sophisticated methods used by criminals including phishing, social engineering or other illicit acts. We may experience security breaches and incidents introduced through the tools and services we use. We continuously monitor our infrastructure, adjust our intrusion detection capabilities, and practice security-by-design principles in our software development lifecycle to help prevent third-party related incidents. However, there can be no assurance that our defensive measures will prevent cyber-attacks or other security breaches or incidents, and any such attacks, breaches or incidents could damage our brand and reputation and negatively impact our business.

Our customers upload sensitive data to our platform, and data security is therefore a critical competitive factor in our industry. We make numerous statements in our privacy policy and customer agreements, through our certifications to standards and in our marketing materials, providing assurances about the security of our platform, including descriptions of security measures we employ. Should any of these statements be untrue, be perceived to be untrue, or become untrue, even through circumstances beyond our reasonable control, we may face claims of misrepresentation or deceptiveness by the U.S. Federal Trade Commission, state and foreign regulators and private litigants. Our errors and omissions insurance policies covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all potential liability. Although we maintain cyber liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred, or that insurance will continue to be available to us on economically reasonable terms, or at all.

***Our increased focus on the development and use of generative artificial intelligence and machine learning technologies in our platform and our business, as well as our potential failure to effectively implement, use, and market these technologies, may result in reputation harm or liability, or could otherwise adversely affect our business.***

We have incorporated and may continue to incorporate AI/ML solutions and features into our platform, and otherwise within our business, and these solutions and features may become more important to our operations or to our future growth over time. There can be no assurance that we will realize the desired or anticipated benefits from AI/ML, or at all, and we may fail to properly implement or market our AI/ML solutions and features. Our competitors or other third parties may incorporate AI/ML into their products, offerings, and solutions more quickly or more successfully than we do, which could impair our ability to compete effectively, and adversely affect our results of operations. Additionally, our AI/ML solutions and features may expose us to additional claims, demands, and proceedings by private parties and regulatory authorities and subject us to legal liability as well as brand and reputational harm. For example, the AI/ML models that we use are trained using various data sets, and if our models are incorrectly designed, the data we use to train them is incomplete or inadequate, or we do not have sufficient rights to use the data on which our models rely, the performance of our AI/ML solutions and features, as well as our reputation, could suffer or we could incur liability through the violation of contractual or regulatory obligations. The legal, regulatory, and policy environments around AI/ML are evolving rapidly, and we may become subject to new legal and other obligations in connection with our use of AI/ML, which could require us to make significant changes to our policies and practices, necessitating expenditure of significant time, expense, and other resources.

***Interruptions or performance problems associated with our software solutions, platform and technology may adversely affect our business and operating results.***

Our continued growth depends in part on the ability of our current and potential customers to access our platform at any time. Our platform is proprietary, and we rely on the expertise of members of our engineering, operations and software development teams for its continued performance. We have experienced, and may in the future experience, disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, denial of service attacks or other security related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Because of the seasonal nature of financial close activities, increasing complexity of our platform and expanding user population, it may become difficult to accurately predict and timely address performance and capacity needs during peak load times. If our platform is unavailable or if our users are unable to access it within a reasonable amount of time or at all, our business will be harmed. In addition, our infrastructure does not currently include the real-time mirroring of data. Therefore, in the event of any of the factors described above, or other failures of our infrastructure, customer data may be permanently lost. Our customer agreements typically include performance guarantees and service level standards that obligate us to provide credits in the event of a significant disruption in our platform. To the extent that we do not effectively address capacity constraints, upgrade our systems and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected.

***If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle product liability claims.***

Complex software such as ours often contains errors or defects, particularly when first introduced or when new versions or enhancements are released. Despite internal and third-party testing and testing by our customers, our current and future software may contain serious defects, which could result in lost revenue or a delay in market acceptance.

Since our customers use our platform for critical business functions such as assisting in the financial close or account reconciliation process, errors, defects or other performance problems could result in damage to our customers. They could seek significant compensation from us for the losses they suffer. Although our customer agreements typically contain provisions designed to limit our exposure to product liability claims, existing or future laws or unfavorable judicial decisions could negate these limitations. Even if not successful, a product liability claim brought against us would likely be time-consuming and costly and could seriously damage our reputation in the marketplace, making it harder for us to sell our products.

***We depend on our executive officers and other key employees and the loss of one or more of these employees or an inability to attract and retain highly-skilled employees could adversely affect our business.***

Our success depends largely upon the continued services of our executive officers and other key employees. We rely on our leadership team, some of whom are new, in the areas of research and development, operations, security, marketing, sales and general and administrative functions. Changes in our executive management team resulting from the hiring or departure of executives, or our leadership structure, could disrupt our business, and could impact our ability to preserve our culture, which could negatively affect our ability to recruit and retain personnel. For example, in March 2023 we appointed co-Chief Executive Officers, our founder Therese Tucker and former Lead Independent Director Owen Ryan, which is a unique structure for our company, and such structure may not achieve the benefits we intend. Our executive officers and other key personnel are at-will employees and, therefore, they could terminate their employment with us at any time. Any such departure could be particularly disruptive in light of the leadership transition. Competition for executive management is high, and it may take months to find a candidate that meets our requirements. Such recruiting efforts could divert the attention of our existing management team. Accordingly, the loss of one or more of our executive officers or key employees could have an adverse effect on our business.

In addition, to execute our growth plan, we must attract and retain highly-qualified personnel. Competition for personnel is intense, especially for engineers experienced in designing and developing software applications, and experienced sales professionals. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and this difficulty may be heightened by labor shortages, higher employee turnover and slower hiring rates associated with hybrid work. In addition, we may need to increase our employee compensation levels in response to competition, rising inflation or labor shortages, which would increase our operating costs and reduce our profitability. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources. Likewise, if competitors hire our employees, we may divert time and resources to deter any breach by our former employees or their new employers of their respective legal obligations. Given the competitive nature of our industry, we have both received and asserted such claims in the past. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, due to volatile market conditions, stock price fluctuations or otherwise, it may adversely affect our ability to recruit and retain highly-skilled employees. Further, if we fail to attract new personnel or fail to retain and motivate our current personnel, our business and growth prospects could be adversely affected.

***If our industry does not continue to develop as we anticipate or if potential customers do not continue to adopt our platform, our sales will not grow as quickly as expected, or at all, and our business and operating results and financial condition would be adversely affected.***

We operate in a rapidly evolving industry focused on modernizing financial and accounting operations. Our solutions are relatively new and have been developed to respond to an increasingly global and complex business environment with more rigorous regulatory standards. If organizations do not increasingly allocate their budgets to financial automation software as we expect or if we do not succeed in convincing potential customers that our platform should be an integral part of their overall approach to their accounting processes, our sales may not grow as quickly as anticipated, or at all. Our business is substantially dependent on enterprises recognizing that accounting errors and inefficiencies are pervasive and are not effectively addressed by legacy solutions. During the past twelve months, primarily due to the uncertain macroeconomic environment, we have seen certain new and existing customers halt or decrease investment in work transformation, which has negatively impacted our business. Further deterioration in general economic conditions in the United States or worldwide, including as a result of continued uncertainty in the financial markets, increased inflation or interest rates, or uncertainty in the financial services markets associated with recent bank failures, a resurgence of COVID-19, or geopolitical events such as the war in Ukraine, may also cause our customers to reduce their overall information technology spending, and such reductions may disproportionately affect software solutions like ours to the extent customers view our solutions as discretionary. If our sales and revenue do not increase for any of these reasons, or any other reason, our business, financial condition and operating results may be materially adversely affected.

***The market in which we participate is intensely competitive, and if we do not compete effectively, our operating results could be harmed.***

The market for accounting and financial software and services is highly competitive and rapidly evolving. Our competitors vary in size and in the breadth and scope of the products and services they offer. We often compete with other vendors of financial automation software, and we also compete with large, well-established, enterprise application software vendors whose software contains components that compete with our platform. In the future, a

competitor offering ERP software could include a free service similar to ours as part of its standard offerings or may offer a free standalone version of a service similar to ours. Further, other established software vendors not currently focused on accounting and finance software and services, including some of our partners, resellers, and other parties with which we have relationships, may expand their services to compete with us.

Our competitors may have greater name recognition, longer operating histories, more established customer and marketing relationships, larger marketing budgets and significantly greater resources than we do. They may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. In addition, some of our competitors have partnered with, or have acquired, and may in the future partner with or acquire, other competitors to offer services, leveraging their collective competitive positions, which makes, or would make, it more difficult to compete with them.

With the introduction of new technologies, the evolution of our platform and new market entrants, we expect competition to intensify in the future. Increased competition generally could result in reduced sales, reduced margins, losses or the failure of our platform to achieve or maintain more widespread market acceptance, any of which could harm our business.

***Failure to effectively organize and motivate our sales resources could harm our ability to increase our customer base.***

Increasing our customer base and sales will depend, to a significant extent, on our ability to effectively organize and drive our sales and marketing operations and activities. As we have grown and scaled our operations, we have aligned our sales team to help streamline the customer experience. We rely on our direct sales force, which includes an account management team, to obtain new customers and to maximize the lifetime value of our customer relationships through retention and upsell efforts. Our success will depend, in part, on our ability to support new and existing customer growth and maintain customer satisfaction. As we and many of our customers have transitioned to a hybrid or fully remote workplace, our sales and marketing teams have continued to primarily engage with customers online and through other communication channels, including virtual meetings. There is no guarantee that our sales and marketing teams will be as successful or effective using these other communication channels as they try to build relationships. If we cannot provide our teams with the tools and training to enable them to do their jobs efficiently and satisfy customer demands, we may not be able to achieve anticipated revenue growth as quickly as expected.

In addition, we believe that there is significant competition for experienced sales professionals with the sales skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in part, on our success in recruiting, training, and retaining a sufficient number of experienced sales professionals. New hires require significant training and time before they achieve full productivity, particularly in new sales segments and territories. Sales professionals that we hire may not become as productive as quickly as we expect, or they may not achieve the levels of productivity we anticipate, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business. Our business will be harmed if our sales professionals are not as successful as we anticipate at driving and completing sales.

***If we are not able to maintain and enhance our brand, our business, operating results and financial condition may be adversely affected.***

We believe that maintaining and enhancing our reputation for accounting and finance software is critical to our relationships with our existing customers and to our ability to attract new customers. The successful promotion of our brand attributes will depend on a number of factors, including our marketing efforts, our ability to continue to develop high-quality software, and our ability to successfully differentiate our platform from competitive products and services. Our brand promotion activities may not ultimately be successful or yield increased revenue. In addition, independent industry analysts provide reviews of our platform, as well as products and services offered by our competitors, and perception of our platform in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products and services, our brand may be adversely affected.

The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets and as more sales are generated. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors, and we could lose customers or fail to attract potential customers, all of which would adversely affect our business, results of operations and financial condition.

***We may be unable to integrate acquired businesses and technologies successfully, or achieve the expected benefits of these transactions and other strategic transactions.***

We regularly evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets. For example, we recently completed the acquisitions of FourQ and Data Interconnect. We also may enter into relationships with other businesses to expand our products and services, which could involve preferred or exclusive licenses, additional channels of distributions or discount pricing.

Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to complete these transactions may be subject to approvals that are beyond our control. Consequently, these transactions, even if announced, may not be completed. In connection with a strategic transaction, we may:

- issue additional equity or convertible debt securities that would dilute our existing stockholders;
- use cash that we may need in the future to operate our business;
- incur large charges or substantial liabilities;
- incur debt on terms unfavorable to us or that we are unable to repay; or
- become subject to adverse tax consequences, substantial depreciation, and amortization, or deferred compensation charges.

Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties and incur significant costs assimilating or integrating the businesses, technologies, products, policies, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us, their software is not easily adapted to work with our platform, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities, which may lead to additional expenses, impairment charges or write-offs, restructuring charges, or other adverse impacts to our business, results of operations, or financial condition.

***Incorrect or improper implementation or use of our solutions could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition, and growth prospects.***

Our platform is deployed in a wide variety of technology environments and into a broad range of complex workflows. Our platform has been integrated into large-scale, enterprise-wide technology environments, and specialized use cases, and our success depends on our ability to implement our platform successfully in these environments. We often assist our customers in implementing our platform, but many customers attempt to implement even complex deployments themselves or use a third-party service firm. If we or our customers are unable to implement our platform successfully, or are unable to do so in a timely manner, customer perceptions of our platform and company may be impaired, our reputation and brand may suffer, and customers may choose not to renew or expand the use of our platform.

Our customers and third-party resellers may need training in the proper use of our platform to maximize its potential. If our platform is not implemented or used correctly or as intended, including if customers input incorrect or incomplete financial data into our platform, inadequate performance may result. Because our customers rely on our platform to manage their financial close and other financial tasks, the incorrect or improper implementation or use of our platform, our failure to train customers on how to use our platform efficiently and effectively, or our failure to provide adequate product support to our customers, may result in negative publicity or legal claims against us. Also, as we continue to expand our customer base, any failure by us to properly provide these services will likely result in lost opportunities for additional subscriptions to our platform.

***Any failure to offer high-quality product support may adversely affect our relationships with our customers and our financial results.***

In deploying and using our solutions, our customers depend on our support services team to resolve complex technical and operational issues. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for product support. We also may be unable to modify the nature, scope and delivery of our product support to compete with changes in product support services provided by our competitors. Increased customer demand for product support, without corresponding revenue, could increase costs and adversely affect our operating results. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality product support, or a market perception that we do not maintain high-quality product support, could adversely affect our reputation, our ability to sell our solutions to existing and prospective customers, our business, operating results, and financial condition.

***We provide service level commitments under our customer contracts, and if we fail to meet these contractual commitments, our revenues could be adversely affected.***

Our customer agreements typically provide service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our applications, we may be contractually obligated to provide these customers with service credits, refunds for prepaid amounts related to unused subscription services, or we could face contract terminations. Our revenues could be significantly affected if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. Any extended service outages could adversely affect our reputation, revenues and operating results.

### **Risks Related to Our Financial Performance or Results**

***We have a history of losses and we may not be able to generate sufficient revenue to achieve or sustain profitability.***

We have incurred net losses attributable to BlackLine, Inc. in recent periods. We had an accumulated deficit of \$238.8 million at September 30, 2023. We expect our costs to increase in future periods as we continue to expend substantial financial and other resources on:

- development of our cloud-based platform, including investments in research and development, product innovation to expand the features and functionality of our software solutions and improvements to the scalability and security of our platform;
- sales and marketing, including expansion of our direct sales force and our relationships with technology vendors, professional services firms, business process outsourcers and resellers;
- additional international expansion in an effort to increase our customer base and sales; and
- general administration, including legal, accounting and other expenses related to being a public company.

These investments may not result in increased revenue or growth of our business or any growth in revenue and may not be sufficient to offset the expense and may harm our profitability. If we fail to continue to grow our revenue, we may not achieve or sustain profitability.

***Our quarterly results may fluctuate, and if we fail to meet the expectations of analysts or investors, our stock price and the value of your investment could decline substantially.***

Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly financial results fall below the expectations of investors or any securities analysts who may follow our stock, the price of our common stock could decline substantially. Some of the important factors that may cause our revenue, operating results and cash flows to fluctuate from quarter to quarter include:

- our ability to attract new customers and retain and increase sales to existing customers;
- the number of new employees added;
- the rate of expansion and productivity of our sales force;
- long sales cycles and the timing of large contracts;
- changes in our or our competitors' pricing policies;



- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- new products, features or functionalities introduced by us and our competitors;
- significant security breaches, technical difficulties or interruptions to our platform;
- the timing of customer payments and payment defaults by customers;
- general economic conditions that may adversely affect either our customers' ability or willingness to purchase additional products or services, delay a prospective customer's purchasing decision or affect customer retention, including the macroeconomic environment, uncertainty in the financial services market, inflation, rising interest rates or geopolitical events such as the war in Ukraine;
- the impact and timing of expenses related to restructuring actions;
- changes in foreign currency exchange rates;
- the impact of new accounting pronouncements;
- the impact and timing of taxes or changes in tax law;
- the timing and the amount of grants or vesting of equity awards to employees;
- seasonality of our business; and
- changes in customer budgets and buying patterns.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our revenue, operating results, and cash flows to vary widely. As such, we believe that quarter-to-quarter comparisons of our revenue, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

We typically add fewer customers in the first quarter of the year than other quarters. We also experience a higher volume of sales at the end of each quarter and year, which is often the result of buying decisions by our customers. Seasonality may be reflected to a much lesser extent, and sometimes may not be immediately apparent, in our revenue, due to the fact that we recognize subscription revenue over the term of our agreements. We may also increase expenses in a period in anticipation of future revenues. Changes in the number of customers and users in different periods will cause fluctuations in our financial metrics and, to a lesser extent, revenues. Those changes and fluctuations in our expenses will affect our results on a quarterly basis, and will make forecasting our operating results and financial metrics difficult.

***Our financial results may fluctuate due to our long and increasingly variable sales cycle.***

Our sales cycle generally varies in duration between four to nine months and, in some cases, even longer depending on the size of the potential customer, the size of the potential contract and the type of solution or product being purchased. The sales cycle for our global enterprise customers is generally longer than that of our mid-market customers. In addition, the length of the sales cycle tends to increase for larger contracts and for more complex, strategic products like Intercompany Financial Management. As we continue to focus on increasing our average contract size and selling more strategic products, we expect our sales cycle to lengthen and become less predictable. This could cause variability in our operating results for any particular period.

A number of other factors that may influence the length and variability of our sales cycle include:

- the need to educate potential customers about the uses and benefits of our software solutions;
- the need to educate potential customers on the differences between traditional, on-premise software and SaaS solutions;
- the relatively long duration of the commitment customers make in their agreements with us;
- the discretionary nature and timing of potential customers' purchasing and budget cycles and decisions;
- the competitive nature of potential customers' evaluation and purchasing processes;
- announcements or planned introductions of new products by us or our competitors; and
- lengthy purchasing approval processes of potential customers, including due to increased scrutiny of spending.

We may incur higher costs and longer sales cycles as a result of large enterprises representing an increased portion of our revenue. In this market, the decision to subscribe to our solutions may require the approval of more technical and information security personnel and management levels within a potential customer's organization, and if so, these types of sales require us to invest more time educating these potential customers. In addition, larger organizations may demand more features and integration services and have increased purchasing power and leverage in negotiating contractual arrangements with us, which may contain restrictive terms favorable to the larger organization. As a result of these factors, these sales opportunities may require us to devote greater research and development, sales, product support and professional services resources to individual customers, resulting in increased costs and reduced profitability, and would likely lengthen our typical sales cycle, which could strain our resources.

In addition, more sales are closed in the last month of a quarter than other times. If we are unable to close sufficient transactions in a particular period, or if a significant amount of transactions are delayed until a subsequent period, our operating results for that period, and for any future periods in which revenue from such transactions would otherwise have been recognized, may be adversely affected.

Recently, as a result of uncertainty around general macroeconomic conditions, customers have been delaying and deferring purchasing decisions, which has led to a deterioration in near term demand. In addition, we may devote greater research and development, sales, product support, and professional services resources to potential customers that do not result in actual sales or revenue, resulting in increased costs and reduced profitability, and which could strain our resources.

***We recognize subscription revenue over the term of our customer contracts and, consequently, downturns or upturns in new sales may not be immediately reflected in our operating results and may be difficult to discern.***

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

***We face exposure to foreign currency exchange rate fluctuations that could harm our results of operations.***

We conduct transactions, particularly intercompany transactions, in currencies other than the U.S. Dollar, primarily the British Pound and the Euro. As we grow our international operations, we expect the amount of our revenues that are denominated in foreign currencies to increase in the future. Accordingly, changes in the value of foreign currencies relative to the U.S. Dollar could affect our revenue and operating results due to transactional and translational remeasurements that are reflected in our results of operations. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common stock could be adversely affected.

We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

***If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.***

We review our goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. At September 30, 2023, we had goodwill and intangible assets with a net book value of \$533.3 million primarily related to acquisitions. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such charges may have a material negative impact on our operating results.

***Our ability to use our net operating losses to offset future taxable income may be subject to limitations.***

As of December 31, 2022, we had federal and state net operating loss carryforwards (“NOLs”) of \$269.1 million and \$148.6 million, respectively. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”) a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future taxable income. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability. The legislation commonly referred to as the Tax Cuts and Jobs Act of 2017, as modified by the Coronavirus Aid, Relief, and Economic Security Act, includes changes to the U.S. federal corporate income tax rate and changes to the rules governing the deductibility of certain NOLs, which may impact our ability to utilize such NOLs.

**Risks Related to Our Dependence on Third Parties**

***If our relationships with technology vendors and business process outsourcers are not successful, our business and growth will be harmed.***

We depend on, and anticipate that we will continue to depend on, various strategic relationships in order to sustain and grow our business. We have established strong relationships with technology vendors such as SAP and Microsoft Dynamics to market our solutions to users of their ERP solutions, and professional services firms such as Deloitte and Ernst & Young, and business process outsourcers such as Cognizant, Genpact and IBM to supplement delivery and implementation of our applications. We believe these relationships enable us to effectively market our solutions by offering a complementary suite of services. In particular, our solution integrates with SAP’s ERP solutions. SAP is part of the reseller channel that we use in the ordinary course of business. SAP has the ability to resell our solutions as SAP solution-extensions (“SolEx”), for which we receive a percentage of the revenues. If we are unsuccessful in maintaining our relationship with SAP, if our reseller arrangement with SAP is less successful than we anticipate, if our customers that use an SAP ERP solution do not renew their subscriptions directly with us and instead purchase our solution through the SAP reseller channel or if we are unsuccessful in supporting or expanding our relationships with other companies, our business would be adversely affected.

Identifying, negotiating and documenting relationships with other companies require significant time and resources. Our agreements with technology vendors are typically limited in duration, non-exclusive, cancellable upon notice and do not prohibit the counterparties from working with our competitors or from offering competing services. For example, our agreement with SAP can be terminated by either party upon six months’ notice and there is no assurance that our relationship with SAP will continue. If our solution is no longer resold by SAP as a solution extension, our business could be adversely affected. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our platform. If we are unsuccessful in establishing or maintaining our relationships, or if the counterparties to our relationships offer competing solutions, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results could suffer. Even if we are successful, we cannot assure you that these relationships will result in improved operating results.

***We rely on Google Cloud Platform (GCP), Microsoft Azure (Azure), Amazon Web Services (AWS) and third-party data centers (collectively, “public cloud providers”) to deliver our cloud-based software solutions, and any disruption of our use of public cloud providers could negatively impact our operations and harm our business.***

We manage our software solutions and serve most of our customers using a cloud-based infrastructure that has historically been operated in a limited number of third-party data center facilities in North America and Europe. We are developing plans to migrate some of our third-party data centers to GCP, increasing our reliance on this cloud provider. Additionally, we rely on Azure to serve Rimilia customers, and we rely on AWS to serve FourQ customers. As we implement the transition to GCP, there could be occasional planned or unplanned downtime for our cloud-based software solutions and potential service delays, all of which will impact our customers' ability to use our solutions. We may also need to divert resources away from other important business operations, which could harm our business and growth. Additionally, if the costs to migrate to GCP are greater than we expect or take significantly more time than we anticipate, our business could be harmed.

We do not control the operation of our public cloud providers. Any changes in third-party service levels or any disruptions or delays from errors, defects, hacking incidents, security breaches, computer viruses, DDoS attacks, bad acts or performance problems could harm our reputation, damage our customers' businesses, and adversely affect our business and operating results. Our public cloud providers are also vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, war, public health crises, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. We may have limited remedies against third-party providers in the event of any service disruptions. If our third-party public cloud providers are compromised or unavailable or our customers are unable to access our solutions for any reason, our business would be materially and adversely affected.

Our customers have experienced minor disruptions and outages in accessing our solutions in the past, and may experience disruptions, outages, and other performance problems. Although we expend considerable effort to ensure that our platform performance is capable of handling existing and increased traffic levels, the ability of our cloud-based solutions to effectively manage any increased capacity requirements depends on our public cloud providers. Our public cloud providers may not be able to meet such performance requirements, especially to cover peak levels or spikes in traffic, and as a result, our customers may experience delays in accessing our solutions or encounter slower performance in our solutions, which could significantly harm the operations of our customers. Interruptions in our services might reduce our revenue, cause us to issue credits to customers, subject us to potential liability, and cause customers to terminate their subscriptions or harm our renewal rates.

If we do not accurately predict our infrastructure capacity requirements, our customers could experience service shortfalls. The provisioning of additional cloud hosting capacity requires lead time. As we continue to restructure our data management plans, and increase our cloud hosting capacity, we have and expect to in the future move or transfer our data and our customers' data. Despite precautions taken during such processes and procedures, any unsuccessful data transfers may impair the delivery of our service, and we may experience costs or downtime in connection with the transfer of data to other facilities which may lead to, among other things, customer dissatisfaction and non-renewals. Our public cloud providers have no obligations to renew their agreements with us on commercially reasonable terms, or at all. If any of our public cloud providers increases pricing terms, terminates or seeks to terminate our contractual relationship, establishes more favorable relationships with our competitors, or changes or interprets their terms of service or policies in a manner that is unfavorable with respect to us, we may be required to transfer to other providers. If we are required to transfer to other providers, we would incur significant costs and experience possible service interruption in connection with doing so.

***If we are unable to develop and maintain successful relationships with resellers, our business, operating results and financial condition could be adversely affected.***

We believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with companies that resell our solutions. We plan to expand our growing network of resellers and to add new resellers, in particular to help grow our mid-market business globally. Our agreements with our existing resellers are non-exclusive, meaning resellers may offer customers the products of several different companies, including products that compete with ours. They may also cease marketing our solutions with limited or no notice and with little or no penalty. We expect that any additional resellers we identify and develop will be similarly non-exclusive and not bound by any requirement to continue to market our solutions. If we fail to identify additional resellers in a timely and cost-effective manner, or at all, or are unable to assist our current and future resellers in independently selling our solutions, our business, results of operations, and financial condition could be adversely affected. If resellers do not effectively market and sell our solutions, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be adversely affected.

***We depend and rely upon SaaS applications from third parties to operate our business and interruptions or performance problems with these technologies may adversely affect our business and operating results.***

We rely heavily upon SaaS applications from third parties in order to operate critical functions of our business, including billing and order management, enterprise resource planning, and financial accounting services. If these services become unavailable due to extended outages, interruptions, or because they are no longer available on commercially reasonable terms, our expenses could increase, our ability to manage finances could be interrupted and our processes for managing sales of our solutions and supporting our customers could be impaired until equivalent services, if available, are identified, obtained, and implemented, all of which could adversely affect our business.

***We rely on third-party computer hardware and software that may be difficult to replace or which could cause errors or failures of our software solutions.***

We rely on computer hardware purchased or leased and software licensed from third parties, including third-party SaaS applications, in order to deliver our software solutions. This hardware and software may not continue to be available on commercially reasonable terms, if at all. Any loss of the right to use any of this hardware or software could result in delaying or preventing our ability to provide our software solutions until equivalent technology is either developed by us or, if available, identified, obtained and integrated. In addition, errors or defects in third-party hardware or software used in our software solutions could result in errors or a failure, which could damage our reputation, impede our ability to provide our platform or process information, and adversely affect our business.

#### **Risks Related to Our Legal and Regulatory Environment**

***Our long-term success depends, in part, on our ability to expand the sales of our solutions to customers located outside of the United States, and thus our business is susceptible to risks associated with international sales and operations.***

We currently maintain offices and/or have personnel in Australia, Canada, France, Germany, India, Japan, Mexico, the Netherlands, Poland, Romania, Singapore, and the United Kingdom, and we intend to build out our international operations. We have also executed several acquisitions and strategic transactions as part of our ongoing international expansion strategy. We derived approximately 28% and 28% of our revenues from sales outside the United States in the nine months ended September 30, 2023 and 2022, respectively. Any international expansion efforts that we may undertake, including acquisitions of businesses outside the United States, such as our acquisition of Rimilia Holdings Ltd. or our acquisition of FourQ Systems, Inc. may not be successful. In addition, conducting international operations in new markets subjects us to new risks that we have not generally faced in the United States. These risks include:

- localization of our solutions, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- lack of familiarity and burdens of complying with foreign laws, legal standards, regulatory requirements, tariffs and other barriers;
- changes in legal and regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions, such as sanctions against Russia in response to the war in Ukraine;
- differing technology standards;

- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations and differing employer/employee relationships;
- fluctuations in exchange rates that may increase the volatility of our foreign-based revenue;
- potentially adverse tax consequences, including the complexities of foreign value-added tax (or other tax) systems and restrictions on the repatriation of earnings;
- uncertain political and economic climates, including the significant volatility in the global financial markets and increasing inflation;
- the impact of natural disasters, climate change, war, including the war in Ukraine, and public health pandemics, on employees, customers, partners, third-party contractors, travel and the global economy; and
- reduced or varied protection for intellectual property rights in some countries.

These factors may cause our international costs of doing business to exceed our comparable domestic costs. Operating in international markets also requires significant management attention and financial resources. Any negative impact from our international business efforts could negatively impact our business, results of operations and financial condition as a whole.

***Privacy and cybersecurity concerns and evolving domestic or foreign laws and regulations, including increased restrictions of cross-border data transfers, may limit or reduce the adoption of our services, result in significant costs and compliance challenges, and adversely affect our business.***

Global legal and regulatory requirements related to collecting, storing, handling, transferring, and otherwise processing personal data are rapidly evolving in ways that require our business to adapt to support our compliance and our customers' compliance. As the regulatory focus on privacy, data protection, and cybersecurity intensifies worldwide, and jurisdictions increasingly consider and adopt laws and regulations relating to these matters, the potential risks related to processing personal data by our business may grow. In addition, possible adverse interpretations of existing laws and regulations by governments in countries where we or our customers operate, as well as the potential implementation of new legislation, could impose significant obligations in areas affecting our business or prevent us from offering certain services in jurisdictions where we operate. Any failure or perceived failure to comply with applicable laws or regulations relating to privacy, data protection, or cybersecurity may adversely affect our business.

Privacy, data protection, and cybersecurity have become significant issues in the U.S., Europe, and in many other jurisdictions where we offer our products. Following the EU's passage of the General Data Protection Regulation ("GDPR"), which became effective in May 2018, the global regulatory landscape relating to privacy, data protection, and cybersecurity has grown increasingly complex and fragmented and is rapidly evolving. As a result, our business faces current and prospective risks related to increased regulatory compliance costs, reputational harm, negative effects on our existing business and on our ability to attract and retain new customers, and increased potential exposure to regulatory enforcement, litigation, and/or financial penalties for non-compliance. For example, in July 2020, the Court of Justice of the European Union ("CJEU") invalidated the Privacy Shield framework, which enabled companies to legally transfer data from the European Economic Area ("EEA") to the U.S. This ruling from the CJEU and recent rulings from various EU member state data protection authorities have created complexity and uncertainty regarding processing and transfers of personal data from the EEA to the U.S. and certain other countries outside the EEA. Moreover, on June 4, 2021, the European Commission adopted new Standard Contractual Clauses ("SCCs"), which impose additional obligations relating to personal data transfers out of the EEA. The new SCCs, and similar standard contractual clauses adopted in the UK, may increase the legal risks and liabilities associated with cross-border data transfers, and result in material increased compliance and operational costs. Following issuance of a U.S. Executive Order, a new framework, the EU-U.S. Data Privacy Framework ("DPF") was created. Following an adequacy decision issued by the European Commission on July 10, 2023, the DPF, along with a UK extension to the DPF that allows the transfer of personal data from the UK to the U.S. (the "UK DPF Extension"), are available for companies to make use of to legitimize personal data transfers to the U.S. from the EEA and UK. However, the DPF and the UK DPF Extension may be subject to legal challenges from privacy advocacy groups or others, and the European Commission's adequacy decision regarding the DPF provides that the DPF will be subject to future reviews and may be subject to suspension, amendment, repeal, or limitations in scope by the European Commission. More generally, uncertainty may continue about the legal requirements for transferring customer personal data to and from the EEA, UK, and other regions, an integral

process of our business. Other countries such as Russia, China, and India have passed or are considering passing laws imposing varying degrees of restrictive data residency requirements, which have created additional costs and complexity, and any new requirements may result in additional costs and complexity.

In addition, the UK has established its own domestic regime with the UK GDPR and amendments to the Data Protection Act. While the UK GDPR so far mirrors the obligations in the GDPR and imposes similar penalties, the UK government is considering amending its data protection legislation. If UK regulation of data protection diverges significantly from the EU, new obligations and data flow issues could emerge, creating costs and complexity. Actual or alleged failure to comply with the GDPR or the UK GDPR can result in private lawsuits, reputational damage, loss of customers, and regulatory enforcement actions, which can result in significant fines, including, under the GDPR, fines of up to EUR 20 million (or GBP 17.5 million under the UK GDPR) or four percent (4%) of global revenue, whichever is greater.

Regulatory developments in the U.S. present additional risks. For example, the California Consumer Privacy Act (“CCPA”) took effect on January 1, 2020, and the California Privacy Rights Act (“CPRA”), which expands upon the CCPA, was passed in November 2020 and became effective on January 1, 2023. The CCPA and CPRA give California consumers, including employees, certain rights similar to those provided by the GDPR, and also provide for statutory damages or fines on a per violation basis that could be very large depending on the severity of the violation. Numerous other states have also enacted or are in the process of enacting or considering comprehensive state-level data privacy and security laws, rules and regulations. Furthermore, the U.S. Congress is considering privacy legislation, and the U.S. Federal Trade Commission continues to fine companies for unfair or deceptive data protection practices and may undertake its own privacy rule making exercise.

Globally, virtually every jurisdiction in which we operate has established its own frameworks governing privacy, data protection, and cybersecurity with which we, and/or our customers, must comply. These laws and regulations often are more restrictive than those in the U.S. Regulatory developments in these countries may require us to modify our policies, procedures, and data processing measures in order to address requirements under these or other applicable privacy, data protection, or cybersecurity regimes, and we may face claims, litigation, investigations, or other proceedings regarding them, initiated by private parties and governmental authorities, and may incur related liabilities, expenses, costs, and operational losses. Our compliance efforts are further complicated by the fact that laws and regulations relating to privacy, data protection, and cybersecurity around the world are rapidly evolving, may be subject to uncertain or inconsistent interpretations and enforcement, and may conflict among various jurisdictions.

In addition to government activity, privacy advocacy, and other industry groups have established or may establish various new, additional, or different self-regulatory standards that may place additional burdens on us. Our customers may require us, or we may find it advisable, to meet voluntary certifications or adhere to other standards established by them or third parties, such as the SSAE 18, SOC1, and SOC2 audit processes. If we are unable to maintain such certifications, comply with such standards, or meet such customer requests, it could reduce demand for our services and adversely affect our business.

Compliance with applicable laws and regulations relating to privacy, data protection, and cybersecurity may require changes in our services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or negative effects on our ability to attract and retain customers in certain industries and foreign countries, which could adversely affect our business. The costs of compliance with, and other obligations imposed by, these laws and regulations may require modification of our services, limit use and adoption of our services, reduce overall demand for our services, lead to significant fines, penalties, or liabilities for actual or alleged noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business. Privacy, data protection, and cybersecurity concerns, whether valid or not valid, may inhibit the market adoption, effectiveness, or use of our services, particularly in certain industries and foreign countries.

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

Our solutions are subject to export controls, including the Commerce Department’s Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department’s Office of Foreign Assets Control. Obtaining the necessary authorizations, including any required license, for a particular export or sale may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. The U.S. export control laws and economic sanctions laws prohibit the export, re-export or transfer of specific products and services to U.S. embargoed or sanctioned countries, regions, governments and persons. Even though we take precautions to prevent our solutions from being provided to U.S. sanctions targets, our solutions could be

sold by resellers or could be used by persons in sanctioned regions despite such precautions. Failure to comply with the U.S. export control, sanctions and import laws could have negative consequences, including government investigations, penalties and reputational harm. We and our employees could be subject to civil or criminal penalties, including the possible loss of export or import privileges, fines, and, in extreme cases, the incarceration of responsible employees or managers. In addition, if our resellers fail to obtain appropriate import, export or re-export licenses or authorizations, we may also be adversely affected through reputational harm and penalties.

In addition, various countries could enact laws that could limit our ability to distribute our solutions or could limit our customers' ability to implement or access our solutions in those countries. Changes in our solutions or changes in export and import regulations may create delays in the introduction and sale of our solutions in international markets, prevent our customers with international operations from accessing our solutions or, in some cases, prevent the export or import of our solutions to some countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions, or in our decreased ability to export or sell our solutions to current or potential customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely adversely affect our business, financial condition and results of operations.

***Changes in laws and regulations related to the internet and cloud computing or changes to internet infrastructure may diminish the demand for our solutions, and could have a negative impact on our business.***

The success of our business depends upon the continued use of the internet as a primary medium for commerce, communication, and business applications. Federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Regulators in some industries have also adopted and may in the future adopt regulations or interpretive positions regarding the use of SaaS and cloud computing solutions. For example, some financial services regulators have imposed guidelines for the use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to utilizing such software. Changes in these laws or regulations could require us to modify our solutions in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees, or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, or result in reductions in the demand for internet-based solutions and services such as ours. In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool has been adversely affected by "viruses," "worms," and similar malicious programs and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our solutions could decline.

The adoption of any laws or regulations adversely affecting the growth, popularity or use of the internet, including laws impacting internet neutrality, could decrease the demand for our products and increase our operating costs. The current legislative and regulatory landscape regarding the regulation of the internet and, in particular, internet neutrality, in the United States is subject to uncertainty. The Federal Communications Commission ("FCC") had previously passed Open Internet rules in February 2015, which generally provided for internet neutrality with respect to fixed and mobile broadband internet service. On December 14, 2017, the FCC voted to repeal Open Internet rules generally providing for internet neutrality with respect to fixed and mobile broadband internet service regulations and return to a "light-touch" regulatory framework known as the "Restoring Internet Freedom Order." The FCC's new rules, which took effect on June 11, 2018, repealed the neutrality obligations imposed by the 2015 rules and granted providers of broadband internet access services greater freedom to make changes to their services, including, potentially, changes that may discriminate against or otherwise harm our business. However, a number of parties have appealed this order. The D.C. Circuit Court of Appeals recently upheld the FCC's repeal, but ordered the FCC to reconsider certain elements of the repeal; thus the future impact of the FCC's repeal and any changes thereto remains uncertain. In addition, in September 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018, making California the fourth state to enact a state-level net neutrality law since the FCC repealed its nationwide regulations. This act mandated that all broadband services in California be provided in accordance with California's net neutrality requirements. The U.S. Department of Justice has sued to block the law going into effect, and California has agreed to delay enforcement until the resolution of the FCC's repeal of the federal rules. A number of other states are considering legislation or execution action that would



regulate the conduct of broadband providers. In its recent decision on the FCC's repeal, the D.C. Circuit Court of Appeals also ruled that the FCC does not have the authority to bar states from passing their own net neutrality rules. It is uncertain whether the FCC will argue that some state net neutrality laws are preempted by federal law and challenge such state net neutrality laws on a case-by-case basis. We cannot predict whether the FCC order or state initiatives will be modified, overturned or vacated by legal action. Additional changes in the legislative and regulatory landscape regarding internet neutrality, or otherwise regarding the regulation of the internet, could also harm our business.

***Our international operations subject us to potentially adverse tax consequences.***

We report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

***The enactment of legislation implementing changes in the U.S. and global taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.***

Any changes in the U.S. or global taxation of our activities may increase our worldwide effective tax rate and adversely affect our financial position and results of operations. For example, the Inflation Reduction Act includes, among other provisions, an alternative minimum tax on adjusted financial statement income and a 1% excise tax on stock buybacks. Further, beginning in 2022, Section 174 of the Code eliminates the right to deduct research and development expenditures and requires taxpayers to capitalize and amortize U.S. and foreign research and development expenditures over five and fifteen years, respectively. In addition, the Organization for Economic Cooperation and Development has proposed a global minimum tax of 15%, which has been adopted by the European Union effective from January 1, 2024. These and other proposed or implemented changes in the U.S. and global taxation could adversely impact our financial results.

***Taxing authorities may successfully assert that we should have collected, or in the future should collect, sales and use, value-added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.***

Sales and use, value-added and similar tax laws and rates vary greatly by jurisdiction and are subject to change from time to time. Some jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect our results of operations.

**Risks Related to Our Intellectual Property**

***Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.***

Our success and ability to compete depend, in part, upon our intellectual property. We currently have two patents and primarily rely on copyright, trade secret and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. In the past, we have utilized demand letters as a means to assert and resolve claims regarding potential misuse of our proprietary or trade secret information. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. 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. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

***Lawsuits or other claims by third parties for alleged infringement of their proprietary rights could cause us to incur significant expenses or liabilities.***

There is considerable patent and other intellectual property development activity in our industry. Our success depends, in part, on not infringing upon the intellectual property rights of others. From time to time, our competitors or other third parties may claim that our solutions and underlying technology infringe or violate their intellectual property rights, and we may be found to be infringing upon such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or other companies in connection with any such litigation and to obtain licenses, modify our solutions, or refund subscription fees, which could further exhaust our resources. In addition, we may incur substantial costs to resolve claims or litigation, whether or not successfully asserted against us, which could include payment of significant settlement, royalty or license fees, modification of our solutions, or refunds to customers of subscription fees. Even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business operations. Such disputes could also disrupt our solutions, adversely impacting our customer satisfaction and ability to attract customers.

***We use open source software in our products, which could subject us to litigation or other actions.***

We use open source software in our products and may use more open source software in the future. From time to time, there have been claims challenging the use of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming misuse of, or a right to compensation for, what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software products. If we inappropriately use open source software, we may be required to re-engineer our products, discontinue the sale of our products or take other remedial actions.

**Risks Related to Ownership of Our Common Stock**

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

The market price of our common stock since our initial public offering has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the market price of our common stock include the following:

- actual or anticipated fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic relationships, joint ventures, or capital commitments;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- price and volume fluctuations in the overall stock market from time to time, including as a result of trends in the economy as a whole;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- actual or perceived privacy, security, data protection, or cybersecurity incidents;

- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- developments or disputes concerning our intellectual property, or our products or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations, or new interpretations of existing laws or regulations applicable to our business;
- any major change in our board of directors or management;
- sales of shares of our common stock by us or our stockholders;
- issuances of shares of our common stock, including in connection with an acquisition or upon conversion of some or all of our outstanding Notes;
- lawsuits threatened or filed against us; and
- other events or factors, including instability in the banking and financial services sector, geopolitical events such as Russia's invasion of Ukraine, incidents of terrorism, outbreaks of pandemic diseases, presidential elections, civil unrest, or responses to these events.

In addition, the stock markets, and in particular the Nasdaq market on which our common stock is listed, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become the target of this type of litigation in the future, it could subject us to substantial costs, divert resources and the attention of management, and adversely affect our business, results of operations, financial condition and cash flows.

***Provisions of our corporate governance documents could make an acquisition of the company more difficult and may impede attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.***

Our amended and restated certificate of incorporation and amended and restated bylaws and the Delaware General Corporation Law (the "DGCL") contain provisions that could make it more difficult for a third-party to acquire us, even if doing so might be beneficial to our stockholders. Among other things:

- we have authorized but unissued shares of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include supermajority voting, special approval, dividend, or other rights or preferences superior to the rights of stockholders;
- we have a classified board of directors with staggered three-year terms;
- stockholder action by written consent is prohibited;
- any amendment, alteration, rescission or repeal of our amended and restated bylaws or of certain provisions of our amended and restated certificate of incorporation by our stockholders requires the affirmative vote of the holders of at least 75% of the voting power of our stock entitled to vote thereon, voting together as a single class outstanding; and
- stockholders are required to comply with advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

***We do not intend to pay dividends on our common stock so any returns will be limited to changes in the value of our common stock.***

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation, and expansion of our business, and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the increase, if any, of our stock price, which may never occur.

***Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.***

Pursuant to our amended and restated bylaws, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws, or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants and provided that this exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws also provide that 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. However, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our federal forum provision. If the federal forum provision is found to be unenforceable, we may incur additional costs associated with resolving such matters.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to this provision. This exclusive forum provision in our amended and restated bylaws may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find the exclusive forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we could incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

#### **Risks Related to Our Outstanding Convertible Notes**

***Servicing our Notes may require a significant amount of cash and we may not have sufficient cash to settle conversions of the Notes in cash, to repurchase the Notes upon a fundamental change, or to repay the principal amount of the Notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.***

As of September 30, 2023, we had \$250.0 million aggregate principal amount of 2024 Notes outstanding and \$1.150 billion aggregate principal amount of 2026 Notes outstanding.

Holders of either series of the Notes will have the right to require us to repurchase all or a portion of such Notes upon the occurrence of a fundamental change before the applicable maturity date at a repurchase price equal to 100% of the principal amount of such Notes to be repurchased, plus accrued and unpaid interest or special interest, if any, as described in the applicable indenture governing such Notes. In addition, upon conversion of the Notes of the applicable series, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of such Notes being converted, as described in the applicable indenture governing such Notes. Moreover, we will be required to repay the Notes of the applicable series in cash at their respective maturity unless earlier converted, redeemed, or repurchased. However, we may not have enough available cash on hand or be able to obtain financing at the time we are required to make repurchases of such Notes surrendered therefor or pay cash with respect to such series of Notes being converted or at their respective maturity. Our ability to repay or refinance the Notes will depend on market conditions and our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Further, if either series of the Notes convert and we elect to issue common stock in lieu of cash upon conversion, our existing stockholders could suffer significant dilution.

In addition, our ability to repurchase the Notes of the applicable series or to pay cash upon conversions of the Notes or at their respective maturity may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase such Notes at a time when the repurchase is required by the applicable indenture governing such Notes or to pay cash upon conversions of such Notes or at their respective maturity as required by the applicable indenture governing such Notes would constitute a default under such indenture. A default under such indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. Moreover, the occurrence of a fundamental change under the applicable indenture governing the Notes could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and repurchase such series of Notes or pay cash with respect to such series of Notes being converted or at maturity of such series of Notes.

***Our current and future indebtedness may limit our operating flexibility or otherwise affect our business.***

Our existing and future indebtedness could have important consequences to our stockholders and significant effects on our business. For example, it could:

- make it more difficult for us to satisfy our debt obligations, including the Notes;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from exploiting business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less indebtedness; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general purposes.

Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

***The conditional conversion feature of each series of the Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of either series of Notes is triggered, holders of the Notes of such series will be entitled under the applicable indenture governing the Notes to convert such Notes at any time during the specified periods at their option. As of September 30, 2023, the conditional conversion features of the Notes were not triggered. If the conditional conversion feature of either series of Notes is triggered and one or more holders of a series elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, in certain circumstances, such as conversions by holders or redemption, we could be required under applicable accounting rules to reclassify all or certain of the outstanding principal of such series of Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***We are subject to counterparty risk with respect to the Capped Calls.***

In connection with the issuance of the Notes, we entered into the Capped Calls with the counterparties with respect to each series of Notes.

The counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions at any time prior to the respective maturity of the Notes (and are likely to do so on each exercise date of the Capped Call). This activity could also cause or prevent an increase or a decrease in the market price of our common stock.

In addition, global economic conditions have in the past resulted in the actual or perceived failure or financial difficulties of many financial institutions. The counterparties to the Capped Calls are financial institutions and we will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the Capped Calls. If a counterparty to one or more Capped Calls becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, it will increase if the market price or the volatility of our common stock increases. Upon a default or other failure to perform, or a termination of obligations, by a counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the counterparties.

## **General Risk Factors**

***We may require additional capital to support business growth, and this capital may not be available on acceptable terms, if at all.***

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, such as refinancing needs, the need to develop new features or enhance our existing solutions, or to improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds, or we may opportunistically decide to raise capital. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity or convertible debt securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing or refinancing on terms favorable to us, or at all. Recently there has been a tightening of the credit markets and rising interest rates, as well as instability in the financial services sector, which have negatively impacted the capital raising environment. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

***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 Securities Exchange Act of 1934, as amended (the "Exchange Act") the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall

Street Reform and Consumer Protection Act of 2010, the listing requirements of Nasdaq, and other applicable securities rules and regulations. Compliance with these rules and regulations increases our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. We are required to disclose changes made in our internal control and procedures on a quarterly basis and are required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. Additionally, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have hired additional employees to assist us in complying with these requirements, we may need to hire more employees 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, financial conditions, and operating results may be adversely affected.

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

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

***We may fail to maintain an effective system of internal control over financial reporting in the future and may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and the price of our common stock.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on internal control over financial reporting.

The process of designing and implementing internal control over financial reporting required to comply with Section 404 of the Sarbanes-Oxley Act has been and will continue to be time consuming, costly and complicated. If, during the evaluation and testing process, we identify one or more material weaknesses in our internal control over financial reporting, our management will be unable to assert that our internal control over financial reporting is effective. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented, or reviewed. If we are unable to assert that our internal control over financial reporting is effective, or when required in the future, if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected, and we could become subject

to stockholder lawsuits, litigation or investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources, and cause investor perceptions to be adversely affected and potentially resulting in restatement of our financial statements for prior periods and a decline in the market price of our stock.

***Natural disasters, climate change, and other events beyond our control could harm our business.***

Natural disasters, climate change, or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, climate-related events, pandemics, terrorism, political unrest, geopolitical instability, war, such as the war in Ukraine, and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our solutions to our customers, could decrease demand for our solutions, and could cause us to incur substantial expense. The majority of our research and development activities, corporate headquarters, information technology systems and other critical business operations are located in California, which has experienced, and is projected to continue to experience, major earthquakes, droughts, heat waves, wildfires, and power shutoffs associated with wildfire prevention. Significant recovery time could be required to resume operations and our business could be harmed in the event of a major earthquake or other catastrophic event. Our insurance may not be sufficient to cover related losses or additional expenses that we may sustain. In addition, we may be subject to increased regulations, reporting requirements, standards, or expectations regarding the environmental impacts of our business, and failure to comply with such regulations, requirements, standards or expectations could adversely affect our reputation, business or financial performance.



**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities**

***Unregistered Sales of Equity Securities***

None.

***Use of Proceeds***

None.

***Issuer Purchases of Equity Securities***

None.

**Item 5. Other Information**

On September 14, 2023, Mark Woodhams, our Chief Revenue Officer, adopted a "Rule 10b5-1 trading arrangement", as defined in Regulation S-K Item 408. The trading arrangement provides for the sale, from time to time, of an aggregate of up to 25,554 shares of our common stock, and is intended to satisfy the affirmative defense in Rule 10b5-1(c). The number of shares sold under the trading arrangement will be reduced by the number of shares sold to cover applicable withholding taxes. The duration of the trading arrangement is until August 20, 2024 or earlier if all transactions under the trading arrangement have been completed.

No other officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a Rule10b5-1 trading arrangement as defined in Regulation S-K Item 408, during the last fiscal quarter.

**Item 6. Exhibits**

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

## EXHIBIT INDEX

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
31.1	<a href="#"><u>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</u></a>				
31.2	<a href="#"><u>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</u></a>				
31.3	<a href="#"><u>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</u></a>				
32.1*	<a href="#"><u>Certifications of Chief Executive Officers 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</u></a>				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

\* The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of BlackLine, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**SIGNATURES**

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

**BlackLine, Inc.**

By: /s/ Therese Tucker  
\_\_\_\_\_  
Therese Tucker  
Co-Chief Executive Officer  
(Co-Principal Executive Officer)

Date: November 3, 2023

By: /s/ Owen Ryan  
\_\_\_\_\_  
Owen Ryan  
Co-Chief Executive Officer  
(Co-Principal Executive Officer)

Date: November 3, 2023

By: /s/ Mark Partin  
\_\_\_\_\_  
Mark Partin  
Chief Financial Officer  
(Principal Financial Officer)

Date: November 3, 2023

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

I, Therese Tucker, certify that:

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

Date: November 3, 2023

BLACKLINE, INC.

By: /s/ Therese Tucker  
Name: Therese Tucker  
Title: Co-Chief Executive Officer  
(Co-Principal Executive Officer)

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

I, Owen Ryan, certify that:

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

Date: November 3, 2023

BLACKLINE, INC.

By: /s/ Owen Ryan  
Name: Owen Ryan  
Title: Co-Chief Executive Officer  
(Co-Principal Executive Officer)



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

I, Therese Tucker, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of BlackLine, Inc. for the quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of BlackLine, Inc.

Date: November 3, 2023

By: /s/ Therese Tucker  
Name: Therese Tucker  
Title: Co-Chief Executive Officer  
(Co-Principal Executive Officer)

I, Owen Ryan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of BlackLine, Inc. for the quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of BlackLine, Inc.

Date: November 3, 2023

By: /s/ Owen Ryan  
Name: Owen Ryan  
Title: Co-Chief Executive Officer  
(Co-Principal Executive Officer)

I, Mark Partin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of BlackLine, Inc. for the quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of BlackLine, Inc.

Date: November 3, 2023

By: /s/ Mark Partin  
Name: Mark Partin  
Title: Chief Financial Officer  
(Principal Financial Officer)