

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021
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

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

None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on the closing price of a share of the registrant's common stock on June 30, 2021 as reported by the NASDAQ Global Select Market on such date was \$5.973 billion. Shares of the registrant's common stock held by each executive officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

At February 18, 2022, 59,237,306 shares of the registrant's common stock, \$0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information called for by Part III of this Annual Report on Form 10-K where indicated are hereby incorporated by reference from the Definitive Proxy Statement for the registrant's Annual Meeting of Stockholders to be held in 2022, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year ended December 31, 2021.

BLACKLINE, INC.
2021 ANNUAL REPORT ON FORM 10-K

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, 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 and expanding our sales organization; 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; the impact of the COVID-19 pandemic and the related responses by governments and private industry on our business and financial condition, as well as that of our customers and partners; 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 Annual Report on Form 10-K refer to the consolidated operations of BlackLine, Inc. and its consolidated subsidiaries as a whole.

Item 1. **Business**

Overview

We have created comprehensive cloud-based solutions designed to transform and modernize accounting and finance operations for organizations of all types and sizes. Our secure, scalable solutions support critical financial close, accounts receivable and intercompany accounting processes. 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 results and operations.

Critical accounting and finance processes underlie the integrity of an organization’s financial reports. The lack of effective accounting and finance tools can result in inefficient and cumbersome processes and, in some cases, accounting errors, restatements and write-offs, as well as material weaknesses and significant deficiencies. Traditional enterprise resource planning (“ERP”) systems do not generally provide effective solutions for processes handled outside of an organization’s general ledger, such as balance sheet substantiation, cash application, and intercompany transaction accounting. Many organizations also use multiple ERPs and other financial systems without a platform to efficiently integrate them. As a result, to manage these tasks, organizations rely on spreadsheets and other error-prone and labor-intensive processes. These traditional manual accounting processes require significant time, increase the risk of error, and are unsuited for the increasing regulatory complexity and transaction volumes encountered by many modern businesses. We believe that we are creating a new category of powerful cloud-based software that is capable of automating and streamlining accounting and finance operations, in

a manner that complements and supports traditional ERP systems. We believe our customers benefit from cost savings through improvements in process efficiency, accuracy, and staff productivity, in addition to maximizing working capital and driving a faster financial close.

Our mission is to transform how accounting and finance departments operate. Our approach modernizes accounting and finance operations by unifying accounting systems, data and processes; automating manual, repetitive activities; and enabling more real-time delivery of critical accounting information, a process we refer to as “continuous accounting.” Our solutions help customers integrate, orchestrate, and automate accounting processes while achieving greater accuracy, control, and transparency. We believe the need for our software has been driven by growing business and information technology complexities, transaction volumes and expanding regulatory requirements. Our software integrates with, and obtains data from, more than 30 different ERP systems, including NetSuite, Oracle, SAP, and Workday, as well as many other financial systems and applications such as bank accounts, sub-ledgers and in-house databases.

We are a holding company and conduct our operations through our wholly-owned subsidiary, BlackLine Systems, Inc. (“BlackLine Systems”). BlackLine Systems funded its business with investments from our founder and cash flows from operations until September 3, 2013. On September 3, 2013, we acquired BlackLine Systems, and Silver Lake Sumeru and Iconiq acquired a controlling interest in us, which we refer to as the “2013 Acquisition.” The 2013 Acquisition was accounted for as a business combination under accounting principles generally accepted in the United States (“GAAP”) and resulted in a change in accounting basis as of the date of the 2013 Acquisition.

On October 2, 2020, we acquired Rimilia Holdings Ltd. (“Rimilia”), which we refer to as the “Rimilia Acquisition”. The primary purpose of the Rimilia Acquisition was to extend the Company’s capabilities into an adjacent area, adding accounts receivable automation to financial close automation.

On January 26, 2022, we acquired FourQ Systems, Inc. (“FourQ”), which we refer 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.

Our cloud-based products include Account Reconciliations, Transaction Matching, Task Management, Journal Entry, Variance Analysis, Consolidation Integrity Manager, Compliance, Cash Application, Credit & Risk Management, Collections Management, Disputes & Deductions, Team & Task Management, AR Intelligence, Intercompany Workflow, Intercompany Processing, and 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.

Our Growth Strategy

Our principal growth strategies include the following:

Continue to Innovate and Expand our Platform. Our ability to internally develop or make strategic acquisitions of new, market-leading applications and functionalities is integral to our success, and we intend to continue extending the functionality and range of our applications to bring new solutions to accounting and finance.

Enhance Our Leadership Position with Enterprise Market and Mid-Market Companies. We believe we have a leading position in the enhanced financial controls and automation market with both enterprise and mid-market companies. We intend to leverage our brand, history of innovation, and customer focus to maintain and grow our leadership position with enterprise market businesses. In addition, we believe that mid-market businesses are particularly underserved and that our platform can help these businesses modernize their accounting and finance processes efficiently and effectively.

Increase Existing Customer Spend through Expanded Usage and Adoption of Additional Products. We pursue a land-and-expand sales model and believe there is significant opportunity to increase sales of our solutions within our existing customer base. Our pricing model is designed to allow us to capture additional revenue as our customers’ usage of our platform grows, providing us with an opportunity to increase the lifetime value of our customer relationships.

Expand Our International Operations and Customer Footprint. We believe that we have a significant opportunity to expand the use of our cloud-based products outside the United States. We have an established presence in Australia, Canada, France, Germany, Japan, the Netherlands, Poland, Romania, Singapore, and the

United Kingdom, and we intend to invest in further expanding our footprint in these and other regions through organic growth activities and strategic acquisitions.

Extend Our Customer Relationships and Distribution Channels. We have established strong relationships with technology vendors such as SAP and NetSuite, professional services firms such as Deloitte and Ernst & Young, and business process outsourcers such as Cognizant, Genpact, and IBM. We intend to continue to strengthen and expand our existing relationships, seek new relationships, and further expand our distribution channels to help us expand into new markets and increase our presence in existing markets.

BlackLine Solutions

We provide a powerful cloud-based solution designed to unify, automate, and streamline accounting and finance operations. The key elements of our solutions include:

Comprehensive Platform

We offer integrated suites of applications that deliver a broad range of capabilities to support critical accounting operations such as the financial close, accounts receivable, and intercompany accounting processes.

The technology underpinning our software includes a comprehensive base of accounting-specific business logic and rules engines, which enable our customers to implement continuous accounting.

Enterprise Integration

We provide simple, secure and automated tools and integrations to transfer data to and from a range of enterprise-wide processes and systems, including ERPs, financial systems and in-house databases, and other custom applications and data. Our solutions integrate with over 30 ERP systems, including NetSuite, Oracle, SAP, and Workday. In addition, for companies with multiple systems and complex needs, we can connect with any number of general ledger systems simultaneously, resolving many of the issues associated with consolidating data across systems.

Independence

Our solutions are not dependent on any single operating system and work with most major ERP systems our customers may use. Our cross-system functionality allows us to reach a broader group of customers. We are also able to focus on and innovate for the needs of our customers irrespective of updates or changes in their existing systems. We believe this independence provides us with a competitive advantage in the industry over traditional methods.

Ease of Use

Our solutions are designed by accountants, for accountants, to be intuitive and easy to use. We strive to enable any user to rapidly implement our software to manage their accounting and finance activities, from the simplest to the most sophisticated tasks. Our user-friendly interface provides clear visualization of accounting and finance data, enables user collaboration, and streamlines business processes.

Innovation

Our ability to develop innovative products has been a key driver of our success and organic growth. Through a history and culture of thought leadership, we have created a new category of powerful software that automates and streamlines antiquated, manual accounting processes to better meet our clients' diverse and rapidly changing needs, and we continue to focus on providing advanced solutions to time and labor-intensive accounting practices.

Security

Our solutions and services incorporate industry best practices and meet internationally recognized standards with respect to information security and privacy management. We have implemented and maintain our certified Information Security Management System and Privacy Information Management System in accordance with the ISO/IEC 27001, 27018, and 27701 standard requirements. We meet a breadth of requirements for our security

control environment, including information security policies, organization of information security, human resource security, access control, cryptography, physical and environmental security, operations security, communications security, information security incident management, and information security aspects of business continuity management. In our continued commitment to customer trust, transparency, and security in service, we provide customers independently validated testing and evaluation of our control environment through issued reports and certifications.

Key Benefits

Our platform is designed to provide the following benefits to our customers:

Flexibility and scalability

Our cloud solutions are designed for modern business environments and have broad applicability across enterprise and mid-market organizations in almost any industry. Our solutions support complex corporate structures, provide integration across core financial systems, manage multiple currencies and languages, and scale to support high transaction volumes.

Embedded controls and workflow

Our solutions are designed for the complex global regulatory environment. Our solutions embed key controls within standardized, repeatable and well-documented workflows, which are designed to result in substantially reduced risk of non-compliance or negative audit findings, greater tolerance for regulatory complexity and increased confidence in financial reports.

Real-time visibility

We provide users with real-time visibility into the status, progress and quality of their accounting processes. With configurable dashboards, user-defined reporting and the ability to drill down to individual reconciliations, journals and tasks, users can track open items, identify bottlenecks within a process or intervene to prevent mistakes.

Automation and efficiency

Our solutions can ingest data from a variety of sources, including ERP systems and other data repositories, and apply powerful, rules-driven automation to reconciliations, journals and transactions. This streamlines accounting processes, minimizes manual data entry and improves individual productivity to help ensure that accounting processes are completed on time. As a result, this automation allows users to focus on value-added activities instead of process management.

Continuous processing

Our solutions help organizations embed quality control, compliance and financial integrity into their day-to-day processes rather than rely on the traditional process of validating financial information at the end of each period. Activities such as account reconciliation and variance analysis can be performed in real-time, thus reducing the risk of errors and creating a more agile accounting environment.

Customers

Our customers include multinational corporations, large domestic enterprises and mid-market companies across a broad array of industries. These businesses include publicly-listed entities and privately-owned enterprises, as well as non-profit entities. At December 31, 2021, we had over 328,000 individual users across more than 3,800 customers exclusive of on-premise software. We define a customer as an entity with an active subscription agreement 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.

Products and Services

Our cloud-based solutions for modern accounting are designed to be the primary system of interaction for accountants every day. Our solutions unify systems and data and work to drive accuracy, collaboration, and accountability through visibility. By unifying and automating activity, we enable accounting departments to execute their work continuously, empowering real-time reporting and business partnership. These products are offered to our customers as scalable solutions for critical accounting processes, including financial close management, accounts receivable, and intercompany accounting.

Financial Close Management

The collection of processes by which organizations reconcile, consolidate, and report their financial information at the end of each period is referred to as the financial close. For organizations of any size, the traditional way of closing the books is held together by manual processes and error-prone spreadsheets, increasing risk and threatening the accuracy of financial reporting. Our Financial Close Management solutions allow customers to standardize and automate key steps across the close process to ensure accuracy, control, and timeliness.

- ***Account Reconciliations*** provides a centralized workspace from which users can collaborate to complete account reconciliations. Features include standardized templates, workflows for review and approval, linkage to policies and procedures, and integrated storage of supporting documentation. The product automates otherwise manual activities in the reconciliation process, significantly reducing time and effort and increasing productivity. It also enhances internal controls by facilitating the appropriate segregation of duties, simplifying reconciliation audits and adding transparency and visibility to the reconciliation process.
- ***Transaction Matching*** analyzes and reconciles high volumes of individual transactions from different sources of data based upon user-configured logic. Our rules engine automatically identifies exceptions, errors, missing data, and variances within massive data sets. The matching engine processes millions of records per minute, can be used with any type of data and allows customers to reconcile transactions in real-time.
- ***Task Management*** enables users to create and manage processes and task lists. The product provides automatic and recurring task scheduling, includes configurable workflow and provides a management console for accounting and finance projects. Though most commonly used with the financial close, users can create task lists and projects for hundreds of different use cases ranging from external audits to environmental impact surveys.
- ***Journal Entry*** allows users to manually or automatically generate, review and post manual journal entries. Journals can be automatically allocated across multiple business units and calculated based on complex, client-defined logic. More importantly, the addition of validation and approval checkpoints helps ensure the integrity of information passed to other financial applications. Customers can use the Journal Entry product to pass information to hundreds of different ERPs and subsystems in a configurable, easily consumable format.
- ***Variance Analysis*** provides “always-on” monitoring and automatically identifies anomalous fluctuations in balance sheet and income statement account balances. Once an account in flux is identified, users are automatically alerted so they can research and determine the source of the fluctuation.
- ***Consolidation Integrity Manager*** manages the automated system-to-system tie-out process that occurs during the consolidation phase of the financial close. Companies with multiple ERPs utilize a consolidation system to produce their consolidated financial results. Because these systems contain and produce information that changes continually and requires constant adjustments, a final tie-out that is typically handled manually in a spreadsheet is necessary prior to publishing results. This product automates the tie-out process, aggregating balances from dozens or hundreds of different systems and allowing users to identify exceptions and create adjustments quickly.
- ***Compliance*** is an integrated solution that facilitates compliance-related initiatives, consolidates project management, and provides visibility over control self-assessments and testing.

Accounts Receivable Automation

Cash is vital to every business, and accounts receivable automation is central to improving cash flow. Managing accounts receivable well means maximizing working capital by collecting cash and minimizing credit

losses. This critical process is often highly manual. Our unified suite of Accounts Receivable Automation solutions helps customers collect cash, provide credit, and better understand cash flow.

- **Cash Application** transforms the order-to-cash cycle by significantly reducing the time it takes to apply cash receipts to open invoices, resulting in significant reductions in unapplied cash. Cash Application drives an automated and effective end-to-end process from an invoice to cash in the bank and fully applied in the subledger. It uses intelligent automation to help customers accurately apply payments to customers' invoices in an ERP. Embedded machine learning then reduces the manual effort involved in the process and releases working capital for our customers.
- **Credit & Risk Management** brings customer and payment behavior data together to enable optimal risk strategies and real-time risk profiling. Managing the balance between sales and risk of non-payment is critical to profitability. Credit & Risk Management brings together data from numerous sources, such as credit reference agencies, credit insurers, and payment performance to understand historical indebtedness and behavior trends of the companies with whom our customers work. This solution works in tandem with our Collections Management solution to help organizations better understand their customer base and make informed decisions around collection strategies, recovery sequences, and the prioritization of team tasks.
- **Collections Management** helps customers design collection strategies to fit each of their customer's sales ledger profile. Releasing cash from customers is the fastest way to increase working capital. Collections Management streamlines the collections process and unlocks more cash from companies with automated escalating recovery sequences that enable collections teams to better prioritize their work by understanding which customers require attention. Customers gain real-time clarity into what actions and collection strategies are working at each stage of the collection process and can use this information to collect payments more efficiently leading to reduced days sales outstanding and improved customer relationships.
- **Disputes & Deductions** helps our customers track payment disputes to drive prompt response and resolution. Unresolved disputes lead to uncollected revenue and can threaten profitability. Disputes & Deductions logs, monitors, and analyzes invoice disputes and provides our customers automated workflows to accelerate dispute resolution and protect their customer relationships.
- **Team & Task Management** automates accounts receivable teams' tasks while ensuring timely execution by using data to drive priority of actions. The historically manual work behind accounts receivable processes can lead to siloed work and a lack of end-to-end visibility. Team & Task Management provides full visibility into the accounts receivable process, monitors critical actions against the volume of work, and allocates resources based on team capacity to prioritize risk management and cash collection.
- **AR Intelligence** automatically processes, analyzes, and surfaces critical information such as sales and payment performance data, customer payment trends, and days sales outstanding. This solution unifies the data across BlackLine's Accounts Receivable Automation suite to provide data typically difficult to obtain in real time. Customers using this solution gain insights into customer behavior, as well as the ability to measure the impact of extended payment terms to cash collections and cash flow, and understand the predictability of customer payments when building cash flow forecasts.

Intercompany Accounting

Intercompany transactions occur when entities within a corporate parent organization transact with each other. These transactions are some of the most complex and frequent sources of uncertainty for the accounting function. It is a manual, time-consuming, and resource-intensive process. Our Intercompany Hub solution manages the entire intercompany transaction lifecycle within our platform, and we believe it is the only widely available end-to-end intercompany solution. This solution includes the following features:

- **Intercompany Workflow** replaces informal, ad hoc intercompany requests and approvals with a simple, structured workflow approval process. The application stores permissions by entity and transaction type, ensuring that both the initiator and the approver of the intercompany transaction are authorized to conduct business.
- **Intercompany Processing** records an organization's intercompany transactions once they reach an appropriate completion level and posts them to the appropriate systems from a single source. The product automatically incorporates local taxes, exchange rates, invoicing requirements, and customer-

specific transfer pricing so that the resulting journal entries will net, which reduces the possibility of intercompany differences and eliminates the need to perform a manual reconciliation.

- **Netting and Settlement** automatically generates a real-time, aggregated settlement matrix, which shows the balance of transactions across an entire organization. Users can filter the information by transaction type, currency or business relationship, easing the process of netting transactions and helping them make informed, strategic decisions.

Services

Customer service is essential to our success. We offer the following services for our customers:

- **Implementation.** With a focus on configuration over customization, our implementation approach favors rapid and efficient deployments led by accounting experts, rather than technical resources. A typical project will focus on mapping our application to a customer's current or ideal process, coaching them on best practices, and helping organizations become self-sufficient, instead of dependent on additional professional services. For clients that elect to work with a business process outsourcer or other company for implementation services, our implementation team provides ongoing support in order to ensure that the implementation or finance transformation projects are completed successfully.
- **Support.** We provide live customer support 24/7/365 from our offices in California, Sydney and London. All customers have access to support resources by phone, email or through our portal, free of charge.
- **Customer Success.** Our customer success managers, many of whom are former users, provide customers with best practices and help create a roadmap for expanded usage of our solutions. We believe that this service, which is made available to all customers, is central to our retention and upsell efforts.
- **Training.** We offer a variety of live and web-based training options, but most customers elect to consume their training through our e-learning environment, BlackLine U. Courses cover solutions functionality, as well as the underlying concepts that make reconciliation, the financial close and other accounting and finance activities necessary.

Sales and Marketing

We sell our solutions through our direct sales force. Our direct sales force leverages our relationships with technology vendors such as SAP and NetSuite, professional services firms such as Deloitte and Ernst & Young and business process outsourcers such as Cognizant, Genpact and IBM, to influence and drive customer growth. In particular, our solution integrates with SAP's ERP solutions. In the fourth quarter of 2018, SAP became part of the reseller channel that we use in the ordinary course of business. SAP has the ability to resell our solutions, as an SAP solution-extension ("SolEx"), for which we receive a percentage of the revenues.

Our marketing efforts are focused on creating sales leads, establishing and extending our brand proposition, generating product awareness, and cultivating our community of users. We generate sales leads primarily through word-of-mouth, search engine marketing, outbound lead generation, and our network of business process outsourcers, business services organizations and resellers. We leverage online and offline marketing channels on a global basis and organize customer roundtables and user conferences and release white papers, case studies, blogs, and digital programs and seminars. We have further extended our brand awareness through sponsorships with leading industry organizations such as the American Institute of Certified Public Accountants, or AICPA, the Institute of Management Accountants, or IMA, the Financial Executives International, or FEI, the Institute of Chartered Accountants in England and Wales, or ICAEW, and the Association of Chartered Certified Accountants, or ACCA.

Competition

The market for accounting and financial software and services is competitive, rapidly evolving and requires deep understanding of the industry standards, accounting rules and global financial regulations.

We compete with vendors of financial automation software such as Trintech, and we also compete with components of Oracle's Hyperion software. 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.

We believe the principal competitive factors in our market include the following:

- level of customer satisfaction;
- ease of deployment and use of applications;
- ability to integrate with multiple legacy enterprise infrastructures and third-party applications;
- domain expertise on accounting best practices;
- ability to innovate and respond to customer needs rapidly;
- capability for configurability, integration and scalability of applications;
- cloud-based delivery model;
- advanced security and reliability features;
- brand recognition and historical operating performance; and
- price and total cost of ownership.

We believe we are positioned favorably against our competitors based on these factors. However, certain of our competitors may have greater name recognition, longer operating histories, more established customer and marketing relationships, larger marketing budgets, and significantly greater resources.

Intellectual Property and Proprietary Rights

Our intellectual property and proprietary rights are important to our business. We currently have two patents. We 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. Though we rely in part upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees and the functionality and frequent enhancements to our solutions are larger contributors to our success in the marketplace.

Despite our efforts to preserve and protect our intellectual property and proprietary rights, unauthorized third parties may attempt to copy, reverse engineer or otherwise obtain portions of our software. Competitors may attempt to develop similar products that could compete in the same market as our products. Unauthorized disclosure of our confidential information by our employees or third parties could occur. Laws of other jurisdictions may not protect our intellectual property and proprietary rights from unauthorized use or disclosure in the same manner as the United States. The risk of unauthorized use of our proprietary and intellectual property rights may increase as our company continues to expand outside of the United States.

Third-party infringement claims are also possible in our industry, especially as software functionality and features expand, evolve and overlap with other industry segments.

Human Capital

BlackLine's approximately 1,557 employees worldwide contribute their unique talents, experience and backgrounds to help our customers move to modern accounting. We are committed to driving a culture of inclusion and innovation through our programs designed to attract, develop, retain, and engage exceptional talent as part of our Think, Create, Serve ethos.

Through a focus on diversity, equity and inclusion, health and safety, comprehensive compensation and benefits, employee engagement, and training and development, we strive to cultivate a culture where employees can bring their authentic selves and do their best work in our award-winning workplace, named to Inc. Magazine's 2021 "Best Workplaces" list and the recipient of a 2021 Tech Cares Award from TrustRadius.

Diversity, Equity and Inclusion

Our programs are designed to attract, develop, retain, and engage exceptional talent, and we continue to support this with a company-wide objective to strengthen our culture of diversity, equity, and inclusion. Programs that advance our strategy include reducing unconscious bias in the workplace, our increasing focus on recruitment in underrepresented communities, and supporting a diverse workforce. We continue to support our Employee Resource Groups, which is made up of employee-led groups designed to support and foster connections among underrepresented groups, including women, people of color, LGBTQ+, and military veterans.

Health and Safety

BlackLine is committed to supporting the well-being of its employees around the world and has continued to take a proactive and supportive approach to helping our employees remain healthy and productive through the COVID-19 pandemic, including supporting our employees' ability to work from home and implementing COVID-19 safety protocols to protect employee health and safety. We have continued to offer employee well-being initiatives, including physical and mental health programs, a global employee assistance program, and work-from-home reimbursements.

Compensation and Benefits

BlackLine strives to maintain a pay for performance compensation program that is competitive and appropriately balanced to attract, motivate, reward, and retain our talent. We benchmark and set compensation based on our compensation philosophy, and market data, as well as each employee's role, experience, location, and performance. We also review our compensation practices, both in terms of our overall workforce and individual employees, to ensure our pay practices are fair and equitable. In addition to competitive compensation, we offer our employees a wide range of benefits such as comprehensive healthcare and wellness, competitive retirement benefits, time off, and recognition opportunities.

Employee Engagement

BlackLine regularly seeks input from employees through various methods, including through broad employee engagement and pulse surveys, which assess our degree of success in promoting an environment where employees are engaged, satisfied, productive, and possess a strong understanding of our business goals. For example, in 2021, we conducted our annual engagement survey with 82% of global employees participating. BlackLine's engagement score exceeded industry benchmarks and our top scores were related to the company's future, manager satisfaction, and diversity initiatives. We recognize the correlation between employee engagement and productivity and retention, and our leaders at all levels continue to implement changes recommended by our employees to reinforce and promote employee engagement.

Training and Development

We continually invest in our employees' career growth and provide employees with a wide range of development opportunities, self-directed learning, and support for continuing education through professional development and reimbursement programs. BlackLine employees are also offered training related to BlackLine products, and technical, leadership, and communications training.

Corporate Information

We were incorporated in May 2001. Our principal executive offices are located at 21300 Victory Blvd., 12th Floor, Woodland Hills, California 91367, and our telephone number is (818) 223-9008. On September 3, 2013, BlackLine, Inc., a newly-formed Delaware C-Corporation, acquired BlackLine Systems, Inc., a California S-Corporation, and Silver Lake Sumeru and Iconiq acquired a controlling interest in us, which we refer to as the "2013 Acquisition".

The names "BlackLine," "BlackLine Systems," "Intercompany Hub," and our logo are our trademarks. This Annual Report on Form 10-K also contains trademarks and trade names of other businesses that are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks we name in this Annual Report on Form 10-K.

Available Information

Our website is located at www.blackline.com, and our investor relations website is located at <http://investors.blackline.com>. We have used, and intend to continue to use, our Investor Relations website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission, or the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov.

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 Annual Report on Form 10-K, 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.
- The global COVID-19 pandemic is having a material adverse impact on the operations and financial performance of customers in industries that we serve and could harm our business and 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 rapid 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.
- 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. As we continue to focus on digital events, digital lead generation, and tools to help our sales representatives connect with prospects virtually in light of COVID-19, there is no guarantee these new marketing efforts will be successful, and our business may 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. There can be no assurance that our efforts will result in increased sales to existing customers or additional revenues.

Our sales and marketing efforts may be impacted by geopolitical developments and other events beyond our control, such as the COVID-19 pandemic. Such events can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. In addition, effects of the pandemic such as the ongoing supply chain disruption and labor shortages have affected us, our customers, and our vendors. Moreover, in response to COVID-19, we shifted our customer events to virtual-only experiences and we continue to adjust our practices and policies to respond to evolving restrictions and recommendations in the jurisdictions where we conduct business. While COVID-19 related restrictions eased in many locations for a period of time pursuant to Centers for Disease Control ("CDC") guidelines and other governmental and local regulations, some of these restrictions were reinstated due to the increase in COVID-19 cases caused by COVID-19 variants, and such restrictions could change and evolve further as a result of updated guidance from the CDC, and any subsequent COVID-19 variants. These evolving and uncertain conditions caused by the pandemic could adversely affect our customers' ability or willingness to attend our events or to purchase new or additional products or services, delay prospective customers' purchasing decisions, or reduce the value or duration of their subscription agreements, all of which could adversely affect our growth.

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' spending levels. For example, economic effects of COVID-19 have impacted and may continue to impact our renewal rate. Any prolonged shut down of a significant portion of global economic activity or a downturn in the global economy 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. In response to COVID-19, many of our competitors offered free products or services to attract new customers. For a time, we offered free access to our entire training library and offered existing customers six months of complimentary access to the Task Management and Reporting modules to enable a more effective remote close. In addition, we are now offering complimentary coaching sessions with our existing customers. We may have to provide additional free products, services or modules in order to retain our customers, which could adversely impact our operating results over time. If our customers do not renew their agreements with us or renew on terms less favorable to us, our revenues may decline.

The global COVID-19 pandemic is having a material adverse impact on the operations and financial performance of many of the customers in industries that we serve and could harm our business and operating results.

In response to the COVID-19 pandemic, we have taken precautionary measures intended to minimize the risk of COVID-19 to our employees, our customers, and the communities in which we operate, which has, and may continue to negatively impact our business. We continue to monitor the situation and adjust our policies to reflect current CDC and other governmental and local protocols and guidance related to COVID-19, including changes to such protocols and guidance due to COVID-19 variants. These precautionary measures could negatively affect our customer success efforts, sales and marketing efforts, delay and increase the length of our sales cycle, or create operational or other challenges, any of which will harm our business and operating results. In addition, COVID-19 has disrupted the operations of our customers and partners, and may continue to disrupt their operations for an indefinite period of time, including as a result of travel restrictions and/or business shut downs, uncertainty in the financial markets or other harm to their business and financial results resulting in delayed purchasing decisions, extended payment terms, and postponed or cancelled projects, all of which will negatively impact our business and operating results, including sales and cash flows. The risk of a cybersecurity incident occurring has also increased as more companies and individuals work remotely, and potentially expose us to new, complex threats. More generally, COVID-19 has adversely affected economies and financial markets globally, which may lead to an extended economic downturn and a resulting decrease in technology spending, which could adversely affect demand for our offerings and harm our business and operating results. It is not possible at this time to estimate the potential impact of COVID-19 on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted.

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

We increased our number of full-time employees to 1,557 at December 31, 2021 as we have experienced growth in number of customers and expanded our operations. Our growth has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our headcount and operations both domestically and internationally, with no assurance that our business or revenue will continue to grow. Labor shortages and increased employee mobility may make it more difficult to hire and retain a sufficient number of employees to support our growth. For example, labor shortages have created even

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, due to COVID-19, we shut down certain workplaces and required our employees in those locations to work remotely. We continue to adjust our practices and policies to respond to evolving restrictions and recommendations in the jurisdictions where we conduct business. However, our workforce continues to be primarily remote, and we expect that our workplace will be fully or partially remote for the near term. We may experience difficulties onboarding new employees remotely. Continuing to create a global organization and managing a geographically dispersed workforce will require substantial management effort, the allocation of valuable management resources and significant additional investment in our infrastructure. We will be required to continually improve our operational, financial and management controls and our reporting procedures and we may not be able to do so effectively, 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 in any particular quarter. Moreover, if we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, 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. 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 NetSuite, Oracle, SAP and Workday, 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 and expect to continue to derive substantially all of our revenues from our Close Process Management solution. As such, 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, 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, and potentially expose us to new, complex threats. 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, or is believed to occur, such an event could result in the loss, alteration, or unavailability of data, unauthorized access to, or use or disclosure of data, loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, 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 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 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 mandatory disclosures regarding a security breach 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. 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.

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 that are typical for a SaaS company of our size. 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. For example, in the fourth quarter of 2020, we became aware of reports that an update to widely-used IT infrastructure management software provided by one of our vendors, SolarWinds Corporation, had been compromised by attackers. We have evaluated our internal systems and networks for vulnerable versions of the affected software, and we have detected no indicators of compromise. While we believe we were not negatively affected by this incident, we have invested time and resources to evaluate and protect our environment from potential supply chain risks, and we continue to 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 assurances 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.

Because data security is 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 detailed 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 coverage covering privacy, security, and data protection damages and claim expenses may not be sufficient to compensate for all liabilities.

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, many 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 could disrupt our business, and could impact our ability to preserve our culture, which could negatively affect our ability to recruit and retain personnel. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Any such departure could be particularly disruptive in light of the recent leadership transition and to the extent we experience management turnover, competition for top management is high and it may take months to find a candidate that meets our requirements. 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 intensified restrictions on travel and social distancing, as well as labor shortages during the COVID-19 pandemic. 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 deterring 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, it may adversely affect our ability to recruit and retain highly-skilled employees. 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. COVID-19 has adversely affected economies and financial markets globally, with many businesses cutting spending on information technology deemed nonessential. During the past twelve months, we have seen certain new and existing customers halt or decrease investment in infrastructure, which has negatively impacted our business, operating results, and financial condition. Future deterioration in general economic conditions, including as a result of COVID-19, or a slow economic recovery, 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 revenue does 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 such as Trintech. We also compete with large, well-established, enterprise application software vendors, such as Oracle, whose Hyperion 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 or expand 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 expand our sales and marketing operations and activities. As of December 31, 2021, our sales and marketing teams included 662 employees. As we've 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. Due to COVID-19, our sales and marketing teams generally avoided in-person meetings and have been primarily engaging with customers online and through other communications channels, including virtual meetings. There is no guarantee that our sales and marketing teams will be as successful or effective using these other communications 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. Moreover, some industries particularly impacted by COVID-19, such as travel, hospitality, retail, or oil and gas have significantly cut or eliminated capital expenditures at this time. As such, we have de-emphasized building new relationships with those industries during the pandemic which could harm our customer base.

In addition, we plan to continue to expand our direct sales force both domestically and internationally. 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. Our recent hires and planned hires may not become as productive as quickly as we expect, 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 expansion efforts do not generate a significant increase in revenue.

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, in January 2022, we completed the FourQ Acquisition, in October 2020, we completed the Rimilia Acquisition, and in 2018, we entered into our Japanese Joint Venture (defined below). 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 future acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, 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.

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 efficiently and effectively use our platform, 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.

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. General macro-economic conditions, such as a recession or economic slowdown in the United States or internationally, could adversely affect demand for our products and make it difficult to accurately forecast and plan our future business activities. For example, as a result of the impact of COVID-19, customers delayed and

deferred purchasing decisions, and for a period of time, there was a deterioration in near-term demand. 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. Services may decrease sequentially as new implementation projects are delayed. Weak economic conditions affect the rate of accounting and finance and information technology spending and could adversely affect our current or potential customers' ability or willingness to purchase our cloud platform, delay purchasing decisions, reduce the value or duration of their subscription contracts, or affect attrition rates, all of which could adversely affect our operating results. Prolonged economic uncertainties relating to COVID-19 could limit our ability to grow our business and negatively affect our operating results. If economic conditions deteriorate, our customers and prospective customers may elect 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. For example, the impact of COVID-19 on the current economic environment has caused 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. Trade protection measures, retaliatory actions, tariffs and increased barriers, policies favoring domestic industries, or increased import or export licensing requirements or restrictions could have a negative effect on the overall macro economy and our customers, which could have an adverse impact on our operating results.

To the extent conditions in the national and global economy change, our business could be harmed as current and potential customers may reduce or postpone spending or choose not to purchase or renew subscriptions to our products, which they may consider discretionary. For example, the aftermath of Brexit continues to cause significant political and economic uncertainty in both the UK and the EU. As a result, the level of economic activity generally in this region could be adversely impacted, negatively affecting our customers' use of 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 future economic slowdowns. See Risks Related to Our Dependence on Third Parties.

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, including \$115.2 million, \$46.9 million, and \$32.5 million for the years ended December 31, 2021, 2020, and 2019, respectively. We had an accumulated deficit of \$301.7 million at December 31, 2021. We may not be able to generate sufficient revenue to achieve and sustain profitability. We also 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 effects of COVID-19;
- 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 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 Hub. 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.

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 transaction would otherwise have been recognized, may be adversely affected.

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.

Additionally, Brexit has and may continue to adversely impact global markets and foreign currencies. In particular, the value of the British Pound has been volatile as compared to the U.S. dollar and other currencies. This volatility in foreign currencies is expected to continue now that the United Kingdom has completed its exit from the EU, but it is uncertain over what time period this will occur. A significantly weaker British Pound compared to the U.S. Dollar could have a negative effect on our financial condition and results of operations.

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 December 31, 2021, we had goodwill and intangible assets with a net book value of \$325.9 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, 2021, we had federal and state net operating loss carryforwards (“NOLs”) of \$277.2 million and \$147.6 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 income tax liabilities. For example, in 2020, California passed legislation limiting the use of NOLs for taxable years 2020, 2021, and 2022. 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, and our NOLs and other deferred tax assets have been revalued at the newly enacted rate and according to the new rules. The revaluation did not have a material impact on our consolidated balance sheet and consolidated statement of operations because we maintain a valuation allowance on our U.S. deferred tax assets.

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 NetSuite 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. In the fourth quarter of 2018, SAP became part of the reseller channel that we use in the ordinary course of business. SAP has the ability to resell our solutions as an SAP solution-extension ("SolEx"), for which we receive a percentage of the revenues. Since October 1, 2018, we are no longer obligated to pay SAP a fee based on a percentage of revenues from our customers that use an SAP ERP solution. 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, such as COVID-19, 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 sales personnel in Australia, Canada, France, Germany, Japan, the Netherlands, Poland, Romania, Singapore, and the United Kingdom, and we intend to build out our international operations. As part of our ongoing international expansion strategy, in August 2016, we acquired Runbook Company B.V. ("Runbook"), a Netherlands-based provider of financial close automation software solutions to SAP customers, which is referred to as the "Runbook Acquisition". Additionally, in September 2018, we entered into an agreement with Japanese Cloud Computing and M30 LLC to engage in a joint venture that is focused on the sale of our products in Japan (the "Japanese Joint Venture"). In October 2020, we completed the Rimilia Acquisition, in which we acquired a United Kingdom-based provider of accounts receivable automation solutions that enable organizations to control cash flow and cash collection in real time. We derived approximately 28%, 25%, and 23% of our revenues from sales outside the United States in the years ended December 31, 2021, 2020, and 2019, respectively. Any international expansion efforts that we may undertake, such as our Runbook Acquisition, our Japanese Joint Venture and our Rimilia Acquisition, 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;
- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- 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;
- the impact of natural disasters, climate change, and public health pandemics, such as COVID-19, 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.

We use third-party contractors outside of the United States to supplement our research and development capabilities, which may expose us to risks, including risks inherent in foreign operations.

We use third-party contractors outside of the United States to supplement our research and development capabilities. We currently use third-party contractors located in Romania, India, and China. Outbreaks of pandemic diseases, such as COVID-19, or the fear of such events, have required us to shut down certain workplaces, which could decrease productivity and increase reliance on remote solutions, which present different security challenges.

Managing operations that are remote from our U.S. headquarters is difficult and we may not be able to manage these third-party contractors successfully. If we fail to maintain productive relationships with these contractors generally, we may be required to develop our solutions in a less efficient and cost-effective manner and our product release schedules may be delayed while we hire software developers or find alternative contract development resources. Additionally, while we take precautions to ensure that software components developed by our third-party contractors are reviewed and that our source code is protected, misconduct by our third-party contractors could result in infringement or misappropriation of our intellectual property. Furthermore, any acts of espionage, malware attacks, theft of confidential information or other privacy, security, or data protection incidents attributed to our third-party contractors may compromise our system infrastructure, expose us to litigation and lead to reputational harm that could result in a material adverse effect on our financial condition and operating results.

Privacy and data security concerns, and data collection and transfer restrictions and related domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business.

Privacy, security, and data protection are significant concerns in the United States, Europe and other jurisdictions where we offer our platform. The regulatory framework governing the collection, processing, storage and use of business information, particularly information that affects financial statements, and personal data, is highly fragmented and rapidly evolving, and any failure or perceived failure to comply with applicable privacy, security, or data protection laws or regulations may adversely affect our business.

The U.S. federal and various state and foreign governments have adopted or proposed requirements regarding the collection, distribution, use, security and storage of personal information and other data related to individuals, and federal and state consumer protection laws are being applied to enforce regulations related to the online collection, use and dissemination of data. Some of these requirements include obligations on companies to notify individuals of security breaches involving particular personal information, which could result from breaches or incidents experienced by us or by organizations with which we have formed strategic relationships. Even though we may have contractual protections with such organizations, notifications related to a security breach could impact our reputation, harm customer confidence, hurt our expansion into new markets or cause us to lose existing customers.

Further, many foreign countries and governmental bodies, including the European Union (the "EU"), where we conduct business and have offices or utilize vendors, have laws and regulations concerning the collection and use of personal data obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of data that identifies or may be used to identify or locate an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol, or IP, addresses. For example, the EU General Data Protection Regulation (the "GDPR") imposes stringent EU data protection requirements for processors and controllers of personal data. As a regulation, the GDPR applies throughout all EU member states but permits member states to enact supplemental requirements in certain areas. Noncompliance with the GDPR can trigger penalties up to €20 million or 4% of global annual revenues, whichever is higher.

With regard to transfers of personal data from EU data subjects, following the "Schrems II" decision issued by the Court of Justice of the European Union ("CJEU") on July 16, 2020, we rely on the EU Standard Contractual Clauses (the "SCCs") as a mechanism for transfer of personal data of EU data subjects from the EU to the United States. On June 4, 2021, the European Commission issued new SCCs that account for the CJEU's decision and other developments, and were and are required to be put in place over time. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens following the Schrems II decision and in connection with regulatory guidance and other developments relating to cross-border data transfers, and we and our customers face the potential for regulators in the European Economic Area (the "EEA") to apply different standards to the transfer of personal data from the EEA to the United States, and to block, or require ad hoc verification of measures taken with respect to, certain data flows from the EEA to the United States. Further, on June 28, 2021, the EU Commission adopted an "adequacy decision," which allows for free flow of personal data between the EU and the United Kingdom. This adequacy decision includes a "sunset clause," which strictly limits its duration to four years. During this four-year period, the Commission could intervene at any time if the United Kingdom deviates from the level of protection currently in place. It is uncertain how data protection laws and related regulations will develop in the United Kingdom over time, and if and when the Commission might make use of this right to intervene. Any restriction on the free flow of personal data between the EU and the United Kingdom could adversely impact our customers' use of our products and our operating results. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf and to modify our related

policies or procedures. Our means for transferring personal data from the EEA may not be adopted by all of our customers and may be subject to legal challenge by data subjects and protection authorities. We may also experience reluctance or refusal by European customers to use our solutions due to potential risk exposure. We and our customers face a risk of fines and other enforcement actions taken by EU and national data protection authorities regarding cross-border data transfers, including from and to the United States. Any such fines or enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition.

In China, we continue to monitor legal and government advisory developments regarding the Chinese Cybersecurity Law and Cybersecurity Review Measures for impact to our business related to cross-border transfer limitations and evolving privacy, security, and data protection requirements. On August 20, 2021, the Personal Information Protection Law of the People's Republic of China ("PIPL") was adopted and went into effect on November 1, 2021. PIPL shares similarities with the GDPR, including extraterritorial application, data minimization, data localization, and purpose limitation requirements, and obligations to provide certain notices and rights to citizens of China. PIPL allows for fines of up to 50 million renminbi or 5% of revenue in the prior year. Any additional laws that may be passed, and any guidance under such laws or existing laws may impose requirements that potentially conflict or would otherwise be challenging to comply with. PIPL and any such other laws relating to privacy, data protection and cybersecurity in China may require us to modify our operations, and may limit our ability to collect, retain, store, use, share, disclose, transfer, disseminate, and otherwise process personal data, may require additional investment of resources in our compliance programs, may impact strategies, and could result in increased compliance costs and/or changes in our ongoing or planned business practices and policies.

Additionally, several states in the U.S. have begun enacting new data privacy laws. For example, California enacted the California Consumer Privacy Act ("CCPA"), that, among other things, requires covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt out of certain sales of personal information. The CCPA became effective on January 1, 2020. Regulations of the California Attorney General came into effect on August 14, 2020. The effects of the CCPA are significant and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Moreover, a new privacy law, the California Privacy Rights Act ("CPRA") was approved by California voters on November 3, 2020. The CPRA takes effect on January 1, 2023, and becomes enforceable on July 1, 2023. It significantly modifies and expands upon the CCPA, creating new customer rights and imposing additional obligations on businesses that collect data from California consumers. The enactment of the CCPA has prompted similar legislative developments in other states such as Virginia, which in March 2021 enacted a Consumer Data Protection Act that will go into effect January 1, 2023, and Colorado, which in June 2021 enacted a Colorado Privacy Act that will go into effect July 1, 2023. Other state legislatures are considering similar laws. These developments create the possibility for a patchwork of overlapping but different state laws, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. We cannot yet determine the impact these laws and regulations or any future laws, regulations and standards may have on our business. Such laws, regulations and standards are often subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our service, increase our costs, impair our ability to grow our business, or restrict our ability to store and process data or, in some cases, impact our ability to offer our service in some locations and may subject us to liability. Further, in view of new or modified federal, state or foreign laws and regulations, industry standards, contractual obligations and other legal obligations, or any changes in their interpretation, we may find it necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our software or platform and otherwise adapt to these changes. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited.

Our customers also expect that we comply with regulatory standards that may place additional burdens on us. Our customers expect us to meet voluntary certifications or adhere to standards established by third parties, such as the SSAE 18, SOC1 and SOC2 audit processes, and may demand that they be provided a report from our auditors that we are in compliance. If we are unable to maintain these certifications or meet these standards, it could adversely affect our customers' demand for our service and could harm our business.

The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of our service and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance. Privacy, security, and data protection concerns, whether valid or not valid, may inhibit market adoption of our platform, 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, 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 countries 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, preventing 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 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 Federal Communications Commission 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. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.

U.S. tax laws that, among other things, include limitations on the ability of taxpayers to claim and utilize foreign tax credits, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to expansion of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial position and results of operations. In addition, current and future changes to non-U.S. tax laws, including the continuing development of the Organization for Economic Cooperation and Development Base Erosion and Profit Shifting recommendations, could negatively impact the anticipated tax benefits of our international structure.

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, or data protection 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;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war, incidents of terrorism, outbreaks of pandemic diseases, such as COVID-19, 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 and stock prices generally dropped significantly in the fourth quarter of 2021 and first quarter of 2022. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from operating our business, 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 certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

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 asserting a claim against us arising pursuant to any provision of the DGCL, or (4) any action asserting a claim against us that is governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision. The forum selection clause in our amended and restated bylaws may have the effect of discouraging lawsuits against us or our directors and officers and may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Risks Related to Our Outstanding Convertible Notes

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.

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. 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. At December 31, 2021, the conditional conversion feature of the 2024 Notes was triggered, and, consequently, holders of the 2024 Notes will be entitled under the indenture governing the 2024 Notes to convert their Notes at any time during the calendar quarter ending March 31, 2022 at their option. If 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 transactions). 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, including the need to develop new features or enhance our existing solutions, 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 on terms favorable to us, or at all. 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, 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 of 2002 (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, such as COVID-19, terrorism, political unrest, geopolitical instability, war, 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 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in Woodland Hills, California where we occupy approximately 89,000 square feet of space under a lease that expires in January 2024. We also lease offices in Pleasanton, California, as well as in Australia, Canada, France, Germany, Japan, the Netherlands, Poland, Romania, Singapore, and the United Kingdom. We believe that our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be readily available on commercially reasonable terms.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings 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 Annual Report on Form 10-K for the year ended December 31, 2021, 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 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market for Our Common Stock and Related Stockholder Matters**

Our common stock has been traded on the NASDAQ Global Select Market under the symbol "BL" since October 28, 2016. Prior to that time, there was no public market for our common stock.

Holders of Record

At February 18, 2022, there were 5 shareholders of record. The number of record holders does not include beneficial holders who hold their shares in "street name," meaning that the shares are held for their accounts by a broker or other nominee. Accordingly, we believe that the total number of beneficial holders is higher than the number of our shareholders of record.

Dividend Policy

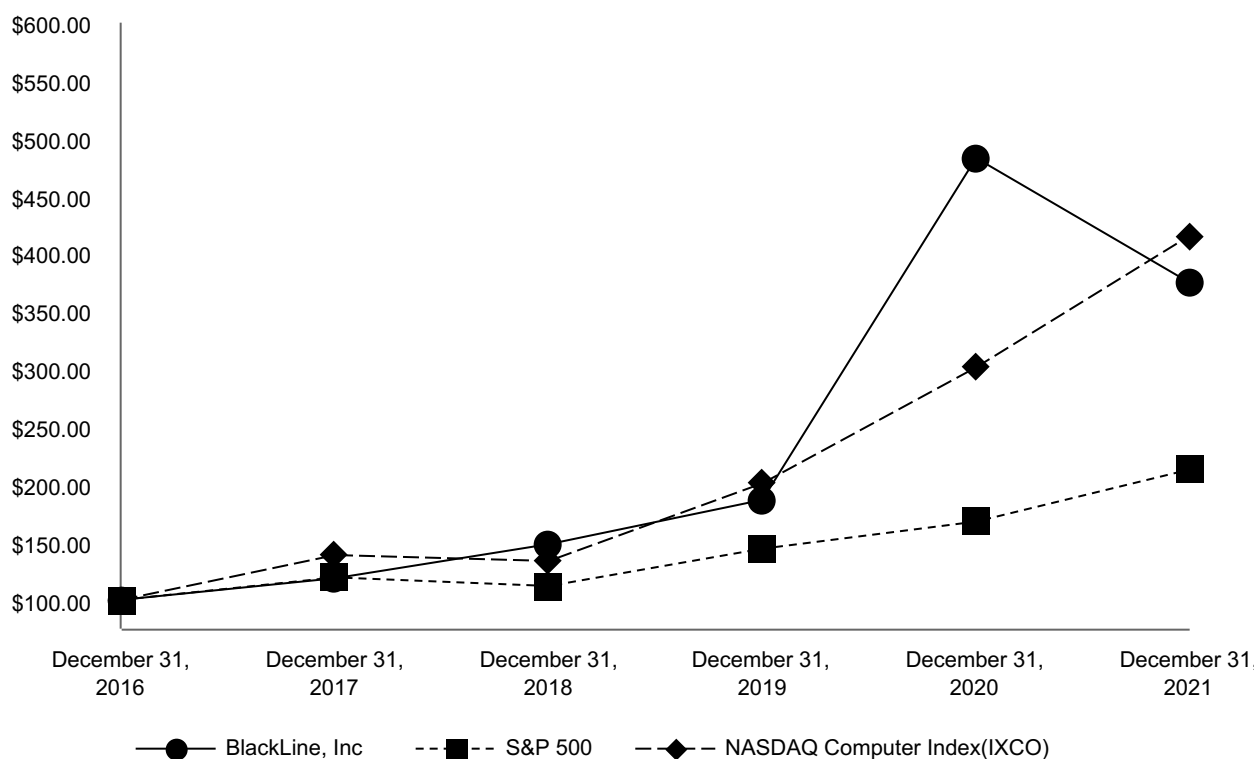
We have never declared or paid any cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance our operations and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future determination as to the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

Stock Price Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, or the SEC, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Securities Act.

The following graph compares (i) the cumulative total stockholder return on our common stock from December 31, 2016 through December 31, 2021 with (ii) the cumulative total return of the S&P 500 Index and the NASDAQ Computer & Data Processing Index over the same period, assuming the investment of \$100 in our common stock and in both of the other indices on December 31, 2021 and the reinvestment of dividends. The graph uses the closing market price on December 31, 2016 of \$27.63 per share as the initial value of our common stock. As discussed above, we have never declared or paid a cash dividend on our common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future.

COMPARISON OF CUMULATIVE TOTAL RETURN*



*Returns are based on historical results and are not necessarily indicative of future performance. See the disclosure in Part I, Item 1A. "Risk Factors."

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

Issuer Purchases of Equity Securities

None.

Item 6 [Reserved]

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with the financial statements and the related notes set forth in Item 8, "Financial Statements and Supplementary Data." The following discussion also contains forward-looking statements that involve a number of risks and uncertainties. See Part I, "Special Note Regarding Forward-Looking Statements" for a discussion of the forward-looking statements contained below and Part I, Item 1A, "Risk Factors" for a discussion of certain risks that could cause our actual results to differ materially from the results anticipated in such forward-looking statements.

This discussion and analysis deals with comparisons of material changes in the consolidated financial statements for fiscal 2021 and fiscal 2020. For the comparison of fiscal 2020 and fiscal 2019, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2020 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 25, 2021.

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 the financial close, account reconciliations, intercompany accounting, 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 December 31, 2021, we had 328,389 individual users across 3,825 customers. Additionally, we continue to build strategic relationships with technology vendors, professional services firms, business process outsourcers, and resellers.

We are a holding company and conduct our operations through our wholly-owned subsidiary, BlackLine Systems, Inc. (“BlackLine Systems”). BlackLine Systems funded its business with investments from our founder and cash flows from operations until September 3, 2013. On September 3, 2013, we acquired BlackLine Systems, and Silver Lake Sumeru and Iconiq acquired a controlling interest in us, which we refer to as the “2013 Acquisition.” The 2013 Acquisition was accounted for as a business combination under accounting principles generally accepted in the United States (“GAAP”) and resulted in a change in accounting basis as of the date of the 2013 Acquisition.

Our cloud-based products include Account Reconciliations, Transaction Matching, Task Management, Journal Entry, Variance Analysis, Consolidation Integrity Manager, Compliance, Cash Application, Credit & Risk Management, Collections Management, Disputes & Deductions, Team & Task Management, AR Intelligence, Intercompany Workflow, Intercompany Processing, and 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 from subscriptions to our cloud-based software platform and approximately 6% from professional services for the year ended December 31, 2021. The majority of subscriptions are sold through one-year non-cancellable contracts, with a growing percentage of subscriptions sold through three-year contracts. 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. Subscription revenue is 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 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 charge customers for our consulting services on a time-and-materials basis and we recognize that revenue as services are performed. A limited number of our customers are provided professional services for a fixed fee, which is initially recorded as deferred revenue and recognized on a proportional-performance basis as the services are performed.

We typically invoice customers annually in advance for subscriptions. We also invoice fixed fee implementation in advance and professional services on a time-and-materials basis for professional services. We record amounts invoiced for portions of annual subscription periods that have not occurred or services that have not been performed as deferred revenue on our consolidated balance sheet.

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 ERP solutions. In the fourth quarter of 2018, SAP became part of the reseller channel that we use in the ordinary course of business such that SAP has the ability to resell our solutions, as an SAP solution-extension (“SolEx”), for which we receive a percentage of the revenues. In the first quarter of 2022, we entered into an agreement with Google Cloud in which the two companies will collaborate 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 Hub. 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.

For the years ended December 31, 2021, 2020, and 2019, we had revenues totaling \$425.7 million, \$351.7 million, and \$289.0 million, respectively, and we incurred net losses attributable to BlackLine, Inc. of \$115.2 million, \$46.9 million, and \$32.5 million, respectively.

COVID-19 Update

In December 2019, the emergence of a novel coronavirus, or COVID-19, was reported and in March 2020, the World Health Organization characterized COVID-19 as a pandemic. We responded to the pandemic by creating an executive task force to monitor the COVID-19 situation daily, immediately restricted non-essential travel and enabled work-from-home protocols. Shortly thereafter, and in line with guidance provided by government agencies and international organizations, we restricted all travel, mandated a work-from-home policy across our global workforce, and moved all in-person customer-facing events to virtual formats. We expect these restrictions to stay in effect during the first half of 2022. We also responded with COVID-19 customer-relief programs to help our community of global accounting and finance professionals in these challenging times. We have offered free access to our entire training library. We also offered the Task Management and Reporting modules complimentary for six months to existing customers to enable a more effective remote close. In addition, we announced complimentary coaching sessions with our existing customers. We have been recognized by The Stevie International Business Awards and the CEO World Awards for our commitment to helping ensure business continuity and fostering well-being for both customers and employees in response to, and throughout the COVID-19 pandemic.

We have continued to see purchasing decisions being deferred due to COVID-19 and a reduction on new business pipeline and large deals. We further expect delays in deals arising out of our SAP partnership, all which will impact our customers and prospects, and our financial results for fiscal 2022. We have also seen a decrease in travel-related expenses and advertising and trade show expenses.

The broader implications of the global emergence of COVID-19 on our business, operating results, and overall financial performance remain uncertain and depend on certain developments, including the duration and spread of the virus and any current and subsequent variants of the virus, the impact on our customers and our sales cycles, the impact on our partners and employees, and the impact on the economic environment and financial markets, all of which are uncertain and cannot be predicted. We are conducting business as usual with certain limitations to employee travel, employee work locations, and marketing events, among other modifications. We have observed other companies taking precautionary and preemptive actions to address COVID-19, and the effects it has had and is expected to have on business and the economy. During the year ended December 31, 2021, certain new and existing customers halted or decreased investment in infrastructure, and we observed certain of our current and potential customers take actions to reduce operating expenses and moderate cash flows, including by delaying sales and requesting extended billing and payment terms. The risk of a cybersecurity incident occurring has increased since the start of the pandemic as more companies and individuals are working remotely and through less secure network connections. As a result, we have increased our investments in network security to help mitigate against such an incident. We cannot provide assurances that our preventative efforts will be successful. We will continue to actively monitor the COVID-19 pandemic and may take further actions that alter our business operations, as may be required by federal, state, or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers, and stockholders.

Acquisition of Rimilia

On October 2, 2020, we completed the acquisition (the "Rimilia Acquisition") of Rimilia Holdings Ltd. ("Rimilia") for consideration of \$120.0 million payable at the closing of the acquisition with additional cash payments of up to \$30.0 million payable upon certain earnout conditions being met. We funded the Rimilia Acquisition on September 30, 2020 with existing cash on-hand, in advance of the closing. See Note 5, "Business Combinations," of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding consideration paid for this acquisition.

The acquisition extends our capabilities into accounts receivable automation through enabling cash application and collection solutions, and accelerating our larger, long-term plan for transforming and modernizing finance and accounting. This acquisition was not a significant acquisition under Regulation S-X.

Acquisition of FourQ

On January 26, 2022, we completed the acquisition (the "FourQ Acquisition") of FourQ Systems, Inc. ("FourQ") for consideration of \$165.0 million payable at the closing of the acquisition with additional payments of up to \$75.0 million over the next three years subject to certain financial performance milestones. The fair value estimate of contingent consideration is in the early stages of analysis. The purchase price is also subject to certain post-closing purchase price adjustments, including working capital adjustments. We funded the FourQ Acquisition with existing cash on-hand.

With the FourQ Acquisition, we seek to enhance our existing intercompany accounting automation capabilities by driving end-to-end automation of traditionally manual intercompany accounting processes and further accelerating our larger, long-term plan for transforming and modernizing finance and accounting. This acquisition was not a significant acquisition under Regulation S-X.

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. Each of the metrics below exclude the impact of on-premise software.

	Year Ended December 31,		
	2021	2020	2019
Dollar-based net revenue retention rate	109 %	106 %	110 %
Number of customers	3,825	3,433	3,024
Number of users	328,389	291,873	267,621

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 December 31, 2021, our dollar-based net revenue retention rate increased primarily due to higher net growth in existing customer accounts. 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 an entity with an active subscription agreement 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 years ended December 31, 2021, 2020 and 2019, 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. We are also beginning to sell an increasing number of non-user based strategic products, such as Transaction Matching, Cash Application, and Intercompany Hub.

Key Components of our Results of Operations

Revenues

Subscription and support. The majority of subscriptions are sold through one-year non-cancellable contracts and a growing percentage of subscriptions are sold through three-year contracts. Fees are based on a number of factors, including the solutions subscribed to by the customer and the number of users having access to the solutions. The first year of subscription fees are typically payable within 30 days after execution of a contract, and thereafter upon renewal. We initially record the subscription fees as deferred revenue and recognize revenue ratably over the term of the contract. At any time during the subscription period, customers may increase their number of users and add products. Additional fees are payable for the remainder of the initial or renewed contract term. Customers may only reduce their number of users or subscription to products upon renewal of their arrangement. Revenues from subscriptions to our cloud-based software platform composed approximately 94% of our revenues for the year ended December 31, 2021.

Subscription and support revenues also include revenues associated with sales of on-premise software licenses and related support, but we no longer develop any new applications or functionality for our legacy on-premise software, and anticipate that this component of our revenues will continue to decline relative to total revenue.

Professional services. We offer our customers 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 and training services to help customers optimize the use of our products. These services are considered distinct performance obligations. Professional services do not result in significant customization of the subscription service. We apply the practical expedient to recognize professional services revenue when we have the right to invoice based on time and materials incurred. A limited number of our customers are provided professional services for a fixed fee, which is initially recorded as deferred revenue and recognized on a proportional-performance basis as the services are performed. Professional services revenues composed approximately 6% of our revenues for the year ended December 31, 2021.

For a description of our revenue accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates.”

Cost of Revenues

Subscription and support cost of revenues. Subscription and support cost of revenues primarily consists of amortization of acquired developed technology costs, salaries, benefits and stock-based compensation associated with our hosting operations and support personnel, data center costs related to hosting our cloud-based software, and amortization of capitalized internal-use software costs. We also allocate a portion of overhead to subscription and support cost of revenues.

Professional services costs of revenues. Costs associated with providing professional services primarily consist of salaries, benefits and stock-based compensation associated with our implementation personnel. These costs are expensed as incurred when the services are performed. We also allocate a portion of overhead to professional services cost of revenues.

Operating Expenses

Sales and marketing. Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives, benefits and stock-based compensation expense, travel and related costs, commissions paid in connection with our strategic relationships,

outside consulting fees, marketing programs, including lead generation, costs of our annual conference, advertising, and trade shows, other event expenses, and allocated overhead costs. Sales and marketing expenses also include amortization of customer relationship intangible assets. We defer sales and partner commissions and amortize them over an estimated period of benefit of five years. We expect the annual trend in sales and marketing expenses to continue to increase as we expand our direct sales teams and increase sales through our strategic relationships and resellers.

Research and development. Research and development expenses consist primarily of salaries, benefits and stock-based compensation associated with our engineering, product and quality assurance personnel and allocated overhead costs. Research and development expenses also include the cost of third-party contractors. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development costs to increase as we develop new solutions and make improvements to our existing platform.

General and administrative. General and administrative expenses consist primarily of salaries, benefits and stock-based compensation associated with our executive, finance, legal, human resources, compliance, and other administrative personnel, accounting, auditing and legal professional services fees, recruitment costs, other corporate-related expenses, transaction-related costs, and allocated overhead costs. General and administrative expenses also include amortization of a covenant not to compete and trade name intangible assets, and the change in fair value of contingent consideration. We expect that general and administrative expenses will increase as we incur the costs of compliance associated with being a publicly-traded company, including legal, audit and consulting fees.

Interest Income

Interest income primarily consists of earnings on our cash and cash equivalents and our marketable securities.

Interest Expense

Interest expense consists primarily of interest expense associated with our Convertible Senior Notes (the "Notes") issued in August 2019.

Provision for (Benefit from) Income Taxes

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. We use the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities, using tax rates expected to be in effect during the years in which the bases differences are expected to reverse.

We record a valuation allowance against our deferred tax assets to the extent that realization of the deferred tax assets, including consideration of our deferred tax liabilities, is not more likely than not. For the year ended December 31, 2021, for both federal and state income taxes, we have recorded a valuation allowance against our deferred tax assets because of our cumulative operating losses since inception, as we believe that the realization of the deferred tax assets is currently not more likely than not. We have also recorded a valuation allowance against certain foreign deferred tax assets.

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.

	Year Ended December 31,	
	2021	2020
	(in thousands, except percentages)	
GAAP gross profit	\$ 327,835	\$ 282,765
GAAP gross margin	77.0 %	80.4 %
GAAP net loss attributable to BlackLine, Inc.	\$ (115,161)	\$ (46,911)

	Year Ended December 31,	
	2021	2020
	(in thousands, except percentages)	
Non-GAAP gross profit	\$ 338,930	\$ 290,853
Non-GAAP gross margin	79.6 %	82.7 %
Non-GAAP net income attributable to BlackLine, Inc.	\$ 36,535	\$ 46,100

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 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. Non-GAAP net income (loss) attributable to BlackLine is defined as GAAP net 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 discount and issuance costs from our convertible notes, the change in the fair value of contingent consideration, transaction-related costs, legal settlement gains, loss on extinguishment of convertible senior notes, and the adjustment to the value of the redeemable non-controlling interest to the redemption amount. 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 the Company's acquisitions and other related costs in order to allow a direct comparison of net loss between all periods presented.

Reconciliation of Non-GAAP Financial Measures

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

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Non-GAAP Gross Profit:		
Gross profit	\$ 327,835	\$ 282,765
Amortization of acquired developed technology	2,685	1,192
Stock-based compensation	8,410	6,896
Total non-GAAP gross profit	<u>\$ 338,930</u>	<u>\$ 290,853</u>
Gross margin	77.0 %	80.4 %
Non-GAAP gross margin	79.6 %	82.7 %
Non-GAAP Net Income Attributable to BlackLine, Inc.:		
Net loss attributable to BlackLine, Inc.	\$ (115,161)	\$ (46,911)
Benefit from income taxes related to acquisitions	(961)	(669)
Amortization of intangible assets	10,479	7,679
Stock-based compensation	65,723	49,690
Amortization of debt discount and issuance costs	55,538	22,689
Change in fair value of contingent consideration	(2,758)	28
Transaction-related costs	1,586	4,736
Loss on extinguishment of convertible senior notes	7,012	—
Adjustment to redeemable non-controlling interest	15,077	8,858
Total non-GAAP net income attributable to BlackLine, Inc.	<u>\$ 36,535</u>	<u>\$ 46,100</u>

Results of Operations

The following tables set forth selected historical consolidated statements of operations data, which should be read in conjunction with Critical Accounting Policies and Estimates, Liquidity and Capital Resources, and Contractual Obligations and Commitments included in this Item 7, as well as Quantitative and Qualitative Disclosures About Market Risk and the Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report on Form 10-K.

Consolidated statements of operations information was as follows (in thousands):

	Year Ended December 31,	
	2021	2020
(in thousands)		
Revenues		
Subscription and support	\$ 398,633	\$ 328,559
Professional services	27,073	23,178
Total revenues	425,706	351,737
Cost of revenues		
Subscription and support	71,979	47,919
Professional services	25,892	21,053
Total cost of revenues	97,871	68,972
Gross profit	327,835	282,765
Operating expenses		
Sales and marketing	202,620	174,581
Research and development	77,322	56,464
General and administrative	86,507	71,611
Total operating expenses	366,449	302,656
Loss from operations	(38,614)	(19,891)
Other income (expense)		
Interest income	700	4,502
Interest expense	(62,945)	(23,311)
Other expense, net	(62,245)	(18,809)
Loss before income taxes	(100,859)	(38,700)
Provision for income taxes	135	702
Net loss	(100,994)	(39,402)
Net loss attributable to non-controlling interest	(910)	(1,349)
Adjustment attributable to non-controlling interest	15,077	8,858
Net loss attributable to BlackLine, Inc.	\$ (115,161)	\$ (46,911)

Revenues

	Year Ended December 31,		Change	
	2021	2020	\$	%
(in thousands, except percentages)				
Subscription and support	\$ 398,633	\$ 328,559	\$ 70,074	21 %
Professional services	27,073	23,178	3,895	17 %
Total revenues	\$ 425,706	\$ 351,737	\$ 73,969	21 %

	Year Ended December 31,	
	2021	2020
Dollar-based net revenue retention rate	109 %	106 %
Number of customers	3,825	3,433
Number of users	328,389	291,873

The increase in revenues for the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to an increase in the number of customers, an increase in the number of users added by existing customers, and an increase in non-user based strategic product sales. The total number of customers and users increased by 11% and 13%, respectively, during the year ended December 31, 2021.

Cost of revenues

	Year Ended December 31,		Change	
	2021	2020	\$	%
(in thousands, except percentages)				
Subscription and support	\$ 71,979	\$ 47,919	\$ 24,060	50 %
Professional services	25,892	21,053	4,839	23 %
Total cost of revenues	\$ 97,871	\$ 68,972	\$ 28,899	42 %
Gross margin	77.0 %	80.4 %		

The increase in cost of revenues for the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to the following:

- \$11.8 million increase in infrastructure expenses due to higher spend on cloud hosting services related to the migration of new and existing customers to the Google Cloud Platform, and an increase in cloud hosting services in connection with the Rimilia acquisition, as well as international expansion.
- \$10.2 million increase in salaries, benefits, and stock-based compensation driven primarily by 30% higher average cost of revenues-related headcount from the year ended December 31, 2020 to the year ended December 31, 2021;
- \$2.6 million increase in amortization of developed technology due to net additions of software placed into service;
- \$2.5 million increase in depreciation and amortization mainly due to the addition of developed technology from the Rimilia acquisition; and
- \$1.7 million increase in professional services expense due to an increase in consulting services,

Sales and marketing

	Year Ended December 31,		Change	
	2021	2020	\$	%
(in thousands, except percentages)				
Sales and marketing	\$ 202,620	\$ 174,581	\$ 28,039	16 %
Percentage of total revenues	47.6 %	49.6 %		

The increase in sales and marketing expenses for the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to the following:

- \$23.3 million increase in salaries, sales commissions, and stock-based compensation driven primarily by higher headcount and increased commissions from revenue growth in sales of our solutions. Sales and marketing average headcount increased 12% from the year ended December 31, 2020 to the year ended December 31, 2021; and
- \$3.5 million increase in advertising and trade shows driven by further virtual events, online marketing and direct mail;

Research and development

	Year Ended December 31,		Change	
	2021	2020	\$	%
	(in thousands, except percentages)			
Research and development, gross	\$ 92,323	\$ 67,283	\$ 25,040	37 %
Capitalized internally developed software costs	(15,001)	(10,819)	(4,182)	39 %
Research and development, net	<u>\$ 77,322</u>	<u>\$ 56,464</u>	<u>\$ 20,858</u>	37 %
Percentage of total revenues	18.2 %	16.1 %		

The increase in research and development expenses for the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to the following:

- \$22.1 million increase in salaries, benefits, and stock-based compensation driven primarily by 31% higher average headcount from the year ended December 31, 2020 to the year ended December 31, 2021;
- \$1.6 million increase in computer software due primarily to greater spend on cloud hosting services related to the development of technology of the Google Cloud Platform, as well as purchases of additional software licenses driven by higher average research and development headcount; and
- \$1.0 million increase in professional services expense, partially offset by
- \$4.2 million increase in capitalized software costs due to significant new and enhanced functionality of our solutions, as well as increased capitalized labor costs due to higher headcount. Collectively, these increases resulted in a decrease in net expenses.

General and administrative

	Year Ended December 31,		Change	
	2021	2020	\$	%
	(in thousands, except percentages)			
General and administrative	\$ 86,507	\$ 71,611	\$ 14,896	21 %
Percentage of total revenues	20.3 %	20.4 %		

The increase in general and administrative expenses for the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to the following:

- \$17.8 million increase in salaries, benefits, and stock-based compensation driven primarily by 23% higher average headcount from the year ended December 31, 2020 to the year ended December 31, 2021;
- \$1.8 million increase in foreign currency losses due to the strengthening of the US dollar against multiple currencies, partially offset by;
- \$1.1 million increase in computer software due primarily to greater spend on a variety of software licenses and productivity tools as well as increased employee base, partially offset by;
- \$2.8 million net decrease in the fair value of the contingent consideration liability primarily related to the Rimilia Acquisition; and
- transaction-related costs of \$1.6 million in the year ended December 31, 2021, compared to \$4.7 million in the year ended December 31, 2020.

Interest income

	Year Ended December 31,		Change	
	2021	2020	\$	%
	(in thousands, except percentages)			
Interest income	\$ 700	\$ 4,502	\$ (3,802)	(84)%

The decrease in interest income during the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to a decrease in average interest rates, partially offset by an increase in

average cash, cash equivalents, and marketable securities balances in the year ended December 31, 2021, compared to the year ended December 31, 2020.

Interest expense

	Year Ended December 31,		Change	
	2021	2020	\$	%
	(in thousands, except percentages)			
Interest expense	\$ 62,945	\$ 23,311	\$ 39,634	170 %

The increase in interest expense during the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to \$41.2 million in amortization of the debt discount on the 2026 Notes and a \$7.0 million loss on the partial extinguishment of the 2024 Notes, partially offset by a \$8.6 million decrease in amortization of the debt discount on the 2024 Notes due to the partial repurchase.

Provision for income taxes

	Year Ended December 31,		Change	
	2021	2020	\$	%
	(in thousands, except percentages)			
Provision for income taxes	\$ 135	\$ 702	\$ (567)	(81)%

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. For the year ended December 31, 2021, 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 domestic income taxes. For the years ended December 31, 2021 and 2020, we recorded \$0.1 million and \$0.7 million in income tax expense, respectively. The decrease in income tax expense for the year ended December 31, 2021, compared to the year ended December 31, 2020, was attributable to 2021 tax benefits associated with our international operations. For the year ended December 31, 2021, we continued to maintain a full valuation allowance on our 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.

Liquidity and Capital Resources

At December 31, 2021, 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. We had \$1.4 billion aggregate principal amount of Notes outstanding at December 31, 2021.

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

During the quarter ended December 31, 2021, the Stock Price Condition allowing holders of the 2024 Notes to convert was met. As a result, holders have the option to convert their 2024 Notes at any time during the calendar quarter ending March 31, 2022. We have the ability to settle the 2024 Notes in cash, shares of our common stock, or a combination of cash and shares of our common stock at our election. From January 1, 2022, through the date of this filing, we have not received any conversion requests for our 2024 Notes. It is our current intent to settle any such conversions through combination settlement, which involves repayment of the principal portion in cash and any excess conversion value over the principal amount in shares of our common stock.

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 December 31, 2021, 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 December 31, 2021, all of the 2026 Capped Calls remained outstanding.

Lease Liabilities

As of December 31, 2021, we have obligations totaling \$19.4 million related to existing property and equipment leases. For one of our existing leases, we estimate that, in readiness for our occupancy, we have remaining leasehold improvements to complete of \$5.6 million at December 31, 2021.

In addition, at December 31, 2021, the Company has two lease obligations totaling \$1.1 million that commenced in the first quarter of 2022 with lease terms of approximately ten months and twenty-six months.

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. As at December 31, 2021, we have \$58.2 million of contractual obligations related to three commitments, with \$9.8 million payable within 12 months, and have additional contractual obligations with other vendors that are collectively immaterial and which we can readily settle given our liquidity position and capital resources.

Contingent Consideration

We are required to pay up to a maximum of \$8.0 million of contingent consideration related to our 2013 Acquisition should we realize a tax benefit from the use of net operating losses generated from the stock option exercises concurrent with the 2013 Acquisition and up to a maximum of \$15.0 million of contingent consideration related to the Rimilia Acquisition if certain Rimilia Annual Recurring Revenue ("ARR") thresholds are met during the second year subsequent to the acquisition date.

We are also required to pay up to a maximum of \$75.0 million of contingent consideration over the next three years related to our FourQ Acquisition should we meet certain financial performance milestones.

Unrecognized Tax Liabilities

At December 31, 2021, while we have liabilities for unrecognized tax benefits of \$4.3 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 December 31, 2021 were scheduled to expire as follows (in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	Thereafter
Letters of credit	\$ 287	\$ —	\$ —	\$ 35	\$ 252

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.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

In the ordinary course of business, we 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 our breach of such agreements, services to be provided by us, 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 we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments we could be required to make under these indemnification provisions is indeterminable. We have never paid a material claim, nor have we been sued in connection with these indemnification arrangements. At December 31, 2021, we had not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

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 and strategic transactions 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.

Historical Cash Flows

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

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	\$ 80,093	\$ 54,735
Net cash provided by (used in) investing activities	\$ (506,941)	\$ 173,594
Net cash provided by financing activities	\$ 599,240	\$ 18,862

Net Cash Provided by Operating Activities

Our net loss and cash flows from operating activities are significantly influenced by our investments in headcount and 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, loss on extinguishment of convertible notes, non-cash lease expense, amortization of debt discount and issuance costs, and deferred taxes.

For the year ended December 31, 2021, cash provided by operations was \$80.1 million, resulting from net non-cash expenses of \$156.5 million, partially offset by our net loss of \$101.0 million and net cash flow provided by changes in operating assets and liabilities of \$24.6 million. The \$24.6 million of net cash flows provided by changes in our operating assets and liabilities reflected the following:

- \$51.6 million increase in deferred revenue as a result of the growth of our customer and user bases as reflected by greater billings for our subscription and support services;
- \$14.9 million increase in accrued bonuses, commissions and payroll taxes due to increased headcount and higher sales; and
- \$4.0 million increase in accounts payable.

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

- \$22.5 million increase in increased prepaid commissions partially offset by related amortization;
- \$14.3 million increase in accounts receivable, unbilled balances and advance billings;
- \$5.2 million decrease in operating lease liabilities; and
- \$4.0 million increase in prepaid expenses and other current assets;

For the year ended December 31, 2020, cash provided by operations was \$54.7 million, resulting from net non-cash expenses of \$97.5 million, partially offset by our net loss of \$39.4 million and net cash flow used as a result of changes in operating assets and liabilities of \$3.4 million. The \$3.4 million of net cash flows used as a result of changes in our operating assets and liabilities reflected the following:

- \$12.4 million increase in other assets primarily related to increased prepaid commissions net of related amortization and increased implementation costs for cloud computing arrangements;
- \$5.7 million increase in accounts receivable;
- \$5.3 million increase in prepaid expenses and other current assets;
- \$5.0 million decrease in operating lease liabilities; and
- \$4.4 million decrease in accounts payable.

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

- \$26.4 million increase in deferred revenue as a result of the growth of our customer and user bases as reflected by greater billings for our subscription and support services; and
- \$3.1 million increase in accrued expenses and other current liabilities.

Net Cash Provided By (Used In) Investing Activities

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

For the year ended December 31, 2021, cash used in investing activities was \$506.9 million as a result of the following:

- \$483.7 million of purchases of marketable securities, net of proceeds from maturities;
- \$14.5 million in capitalized software development costs; and
- \$8.7 million in purchases of property and equipment.

For the year ended December 31, 2020, cash provided by investing activities was \$173.6 million as a result of the following:

- \$312.4 million of proceeds from maturities and sales of marketable securities, net of purchases;

These changes in our investing activities were partially offset by the following:

- \$119.3 million in cash paid for an acquisition, net of cash acquired;
- \$10.6 million in capitalized software development costs;
- \$6.5 million in purchases of property and equipment; and
- \$2.3 million in purchases of intangible assets related to the purchase of a defensive patent.

Net Cash Provided By Financing Activities

For the year ended December 31, 2021, cash provided by financing activities was \$599.2 million as a result of the following:

- \$594.2 million proceeds from the issuance of the 2026 Notes, net of the partial repurchase of the 2024 Notes and the purchase of the associated 2026 Capped Calls;
- \$11.4 million of proceeds from exercises of stock options;
- \$9.0 million of proceeds from the employee stock purchase plan; and
- \$2.2 million of investment from redeemable non-controlling interest.

These changes in our financing activities were partially offset by the following:

- \$17.0 million of acquisitions of common stock for tax withholding obligations.

For the year ended December 31, 2020, cash provided by financing activities was \$18.9 million as a result of the following:

- \$20.6 million of proceeds from exercises of stock options; and
- \$7.0 million of proceeds from the employee stock purchase plan.

These changes in our financing activities were partially offset by the following:

- \$8.2 million of acquisitions of common stock for tax withholding obligations.

Backlog

We enter into both single and multi-year subscription contracts for our solutions. The timing of our invoices to the customer is a negotiated term and thus varies among our subscription contracts. For multi-year agreements, it is common to invoice an initial amount at contract signing followed by subsequent annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenues, deferred revenue or elsewhere in our consolidated financial statements and are considered by us to be backlog. At December 31, 2021 and 2020, we had backlog of approximately \$596.3 million and \$468.6 million, respectively. We expect backlog will change from period to period for several reasons, including the timing and duration of customer agreements, varying billing cycles of subscription agreements, and the timing and duration of customer renewals. Because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as contract renewals and new customer contracts during the period, backlog at the beginning of any period is not necessarily indicative of future revenue performance. We do not utilize backlog as a key management metric internally.

Critical Accounting Estimates

Our financial statements and the related notes included elsewhere in this Annual Report on Form 10-K are prepared in accordance with GAAP. 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. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the following critical accounting policies involve a greater degree of judgment or complexity than our other accounting policies. Accordingly, these are the policies we believe are the most critical to a full understanding and evaluation of our consolidated financial condition and results of operations. See "Significant Accounting Policies" in Note 2 of the accompanying notes to our consolidated financial statements for additional information.

Deferred Customer Acquisition Costs

We recognize an asset for the incremental and recoverable costs of obtaining a contract with a customer if we expect the benefit of those costs to be one year or longer. We have determined that certain sales incentive programs to our employees ("deferred customer contract acquisition costs") and our partners ("partner referral fees") meet the requirements to be capitalized. Deferred customer acquisition costs related to new revenue contracts and upsells are deferred and then amortized straight line over the expected period of benefit that we have determined to be five years, based upon both the product turnover rate and estimated customer life which involves some level of judgement in terms of the inherent assumptions used. Partner referral fees are deferred and then amortized on a straight-line basis over the related contractual period, as the fees for renewals are commensurate with fees incurred for the initial contract. Deferred customer acquisition costs and partner referral fees are included within other assets on the consolidated balance sheets. There were no impairment losses in relation to the costs capitalized for the periods presented.

Capitalized Software Costs

We account for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"). We capitalize certain implementation costs incurred in a hosting arrangement that is a service contract. These capitalized costs exclude training costs, project management costs, and data migration costs. We capitalize certain costs in the development of our SaaS subscription solutions when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and performed as intended. These capitalized costs include estimated personnel and related expenses for employees as well as costs of third-party contractors who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to our SaaS software solutions are also capitalized. Costs incurred for post-configuration training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years.

Business Combinations

The results of businesses acquired in business combinations are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed and allocate the purchase price to its respective assets and liabilities. Determining the fair value of assets acquired and liabilities assumed requires our management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates, and selection of comparable companies. We engage the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in business combinations.

Contingent consideration payable in cash arising from business combinations is recorded at fair value as a liability on the acquisition date and remeasured at each reporting date. Changes in fair value are recorded in general and administrative expenses in the consolidated statements of operations. Determining the fair value of the contingent consideration each period requires management to make assumptions and judgments. These estimates involve inherent uncertainties, and if different assumptions had been used, the fair value of contingent consideration could have been materially different from the amounts recorded. The significant inputs used in the fair value measurement of contingent consideration are the amount and timing of Rimilia ARR in the second year subsequent to the acquisition. Significant changes in the estimated ARR and the periods in which they are generated would significantly impact the fair value of the contingent consideration liability.

Transaction-related costs incurred by the Company are expensed as incurred and are included in general and administrative expenses in the Company's consolidated statements of operations.

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies—Recently Issued Accounting Standards," of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our financial condition, results of operations and cash flows.

Item 7A. 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 discount and issuance costs on our 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 December 31, 2021. Our cash equivalents and marketable securities consist of highly liquid, investment-grade commercial paper, corporate bonds, and U.S. treasury bonds. 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, Hong Kong Dollar, Indonesian Rupiah, Japanese Yen, Malaysian Ringgit, New Zealand Dollar, Norwegian Krone, Philippine Peso, Polish Zloty, Romanian Leu, Singapore Dollar, South African Rand, Swedish Krona, and Swiss Franc 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 BlackLine K.K., 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% change in foreign currency exchange rates applicable to our business would not have had a material impact on our cash and marketable securities at December 31, 2021.

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 our current international structure, 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, including higher employee compensation costs, 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 8. *Financial Statements and Supplementary Data*

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Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of BlackLine, Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, of comprehensive loss, of stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of the Rimilia Contingent Consideration Liability

As described in Notes 2 and 15 to the consolidated financial statements, as a condition of the Rimilia Acquisition, the Company agreed to pay potential additional cash consideration if Rimilia realized certain Rimilia Annual Recurring Revenue ("ARR") thresholds in each year over a two-year period subsequent to the acquisition date. As of December 31, 2021, the maximum contingent cash consideration payable for Rimilia is \$15.0 million, and the Company has recognized a liability of \$14.4 million equal to the estimated fair value of the contingent consideration payable. To determine the fair value of the contingent consideration liability relating to the Rimilia Acquisition, management utilized a Monte Carlo simulation model to value the earn-out based on the likelihood of reaching firm-specific targets. Significant inputs used in the fair value measurement of the contingent consideration liability are the amount and timing of Rimilia ARR in the second year subsequent to the acquisition.

The principal considerations for our determination that performing procedures relating to the valuation of the Rimilia contingent consideration liability is a critical audit matter are the significant judgment by management in determining the fair value estimate; this in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the amount and timing of Rimilia ARR in the second year subsequent to the acquisition for the contingent consideration liability. Also, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the contingent consideration liability, including controls over the development of the assumptions of the amount and timing of Rimilia ARR. These procedures also included, among others, (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent estimate of the contingent consideration liability, (ii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate, and (iii) developing the independent estimate involved testing the completeness and accuracy of data provided by management and evaluating management's assumption related to the amount and timing of Rimilia ARR. Evaluating management's significant assumptions related to the Rimilia ARR involved evaluating whether the assumptions used were reasonable considering current and past performance of the acquired business.

Convertible Notes Transactions

As described in Notes 2 and 11 to the consolidated financial statements, in March 2021, in connection with the Company's issuance of the 2026 Notes for aggregate gross proceeds of \$1.15 billion, the Company used approximately \$432.2 million of the net proceeds to repurchase \$250.0 million aggregate principal amount of the 2024 notes. In accounting for the issuance of the 2026 Notes, management allocated the proceeds of the 2026 Notes between the liability and equity components. To estimate the fair value of the liability component, management measured the fair value of a similar liability that does not have an associated conversion feature by discounting the contractual cash flows of the 2026 Notes at an estimated interest rate for a comparable non-convertible note. The equity component representing the conversion option was determined by deducting the fair

value of the liability component from the principal amount of the 2026 Notes. The difference between the principal amount of the 2026 Notes and the equity component totaling \$276.3 million was recorded as a debt discount. Management also determined the fair value of the liability component of the 2024 Notes being extinguished. To estimate the fair value of a similar liability that does not have an associated conversion feature, management discounted the contractual cash flows of the 2024 Notes at an estimated interest rate for a comparable non-convertible note. The fair value of the liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The remaining consideration was allocated to the reacquisition of the equity component of the 2024 Notes and recognized as a reduction of additional paid-in capital in the amount of \$219.3 million. The difference between the fair value of the liability and its carrying value was recognized as an extinguishment loss in the amount of \$7.0 million.

The principal considerations for our determination that performing procedures relating to the convertible notes transactions is a critical audit matter are the significant judgment by management in determining the fair value of the liability components of the notes; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the estimated interest rate of a comparable non-convertible note for the issuance of the 2026 Notes as well as the partial extinguishment of the 2024 Notes. Also, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's accounting for the convertible notes transactions, including controls over management's determination of the fair value of the liability components of the convertible notes based on the estimated interest rate for comparable non-convertible notes. These procedures also included, among others, (i) reading the agreements and (ii) evaluating the methodology used by management to determine the fair value of similar notes that do not have an associated conversion feature, including evaluating the reasonableness of estimated interest rate assumptions. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the interest rate of comparable non-convertible notes used by management.

Los Angeles, California
February 25, 2022

We have served as the Company's auditor since 2014

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

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 539,739	\$ 367,413
Marketable securities (amortized cost of \$658,886 and \$175,211 at December 31, 2021 and December 31, 2020, respectively)	658,964	175,206
Accounts receivable, net of allowances for credit losses of \$2,923 and \$3,737 at December 31, 2021 and 2020, respectively	125,130	111,270
Prepaid expenses and other current assets	23,855	20,226
Total current assets	1,347,688	674,115
Capitalized software development costs, net	23,547	15,690
Property and equipment, net	16,321	13,239
Intangible assets, net	36,195	46,674
Goodwill	289,710	289,710
Operating lease right-of-use assets	16,264	8,708
Other assets	87,853	65,369
Total assets	\$ 1,817,578	\$ 1,113,505
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,471	\$ 3,150
Accrued expenses and other current liabilities	50,930	35,958
Deferred revenue	242,429	191,137
Finance lease liabilities, current	373	—
Operating lease liabilities, current	4,936	4,147
Contingent consideration, current	16,438	7,938
Total current liabilities	322,577	242,330
Finance lease liabilities, noncurrent	824	—
Operating lease liabilities, noncurrent	13,248	7,356
Convertible senior notes, net	1,114,239	407,032
Contingent consideration, noncurrent	4,294	15,552
Deferred tax liabilities, net	8,175	6,566
Deferred revenue, noncurrent	362	75
Other long-term liabilities	124	—
Total liabilities	1,463,843	678,911
Commitments and contingencies (Note 15)		
Redeemable non-controlling interest (Note 4)	28,699	12,524
Stockholders' equity:		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 58,984,247 issued and outstanding at December 31, 2021 and 57,682,118 issued and outstanding at December 31, 2020	590	577
Additional paid-in capital	625,883	622,768
Accumulated other comprehensive income	298	376
Accumulated deficit	(301,735)	(201,651)
Total stockholders' equity	325,036	422,070
Total liabilities, redeemable non-controlling interest, and stockholders' equity	\$ 1,817,578	\$ 1,113,505

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

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

	Year Ended December 31,		
	2021	2020	2019
Revenues			
Subscription and support	\$ 398,633	\$ 328,559	\$ 272,447
Professional services	27,073	23,178	16,529
Total revenues	<u>425,706</u>	<u>351,737</u>	<u>288,976</u>
Cost of revenues			
Subscription and support	71,979	47,919	44,968
Professional services	25,892	21,053	14,007
Total cost of revenues	<u>97,871</u>	<u>68,972</u>	<u>58,975</u>
Gross profit	<u>327,835</u>	<u>282,765</u>	<u>230,001</u>
Operating expenses			
Sales and marketing	202,620	174,581	158,837
Research and development	77,322	56,464	43,006
General and administrative	86,507	71,611	56,057
Total operating expenses	<u>366,449</u>	<u>302,656</u>	<u>257,900</u>
Loss from operations	<u>(38,614)</u>	<u>(19,891)</u>	<u>(27,899)</u>
Other income (expense)			
Interest income	700	4,502	6,128
Interest expense	(62,945)	(23,311)	(8,650)
Other income (expense), net	<u>(62,245)</u>	<u>(18,809)</u>	<u>(2,522)</u>
Loss before income taxes	(100,859)	(38,700)	(30,421)
Provision for (benefit from) income taxes	135	702	1,725
Net loss	<u>(100,994)</u>	<u>(39,402)</u>	<u>(32,146)</u>
Net loss attributable to non-controlling interest (Note 4)	(910)	(1,349)	(1,444)
Adjustment attributable to non-controlling interest (Note 4)	15,077	8,858	1,833
Net loss attributable to BlackLine, Inc.	<u>\$ (115,161)</u>	<u>\$ (46,911)</u>	<u>\$ (32,535)</u>
Basic net loss per share attributable to BlackLine, Inc.	<u>\$ (1.97)</u>	<u>\$ (0.83)</u>	<u>\$ (0.59)</u>
Shares used to calculate basic net loss per share	<u>58,351</u>	<u>56,832</u>	<u>55,320</u>
Diluted net loss per share attributable to BlackLine, Inc.	<u>\$ (1.97)</u>	<u>\$ (0.83)</u>	<u>\$ (0.59)</u>
Shares used to calculate diluted net loss per share	<u>58,351</u>	<u>\$ 56,832</u>	<u>\$ 55,320</u>

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Net loss	\$ (100,994)	\$ (39,402)	\$ (32,146)
Other comprehensive income (loss):			
Net change in unrealized gains (losses) on marketable securities, net of tax of \$0 for the years ended December 31, 2021, 2020 and 2019	88	(111)	200
Foreign currency translation	(312)	220	261
Other comprehensive income (loss)	(224)	109	461
Comprehensive loss	(101,218)	(39,293)	(31,685)
Less comprehensive loss attributable to redeemable non-controlling interest:			
Net loss attributable to redeemable non-controlling interest	(910)	(1,349)	(1,444)
Foreign currency translation attributable to redeemable non-controlling interest	(146)	110	129
Comprehensive loss attributable to redeemable non-controlling interest	(1,056)	(1,239)	(1,315)
Comprehensive loss attributable to BlackLine, Inc.	<u>\$ (100,162)</u>	<u>\$ (38,054)</u>	<u>\$ (30,370)</u>

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2018	54,683	\$ 547	\$ 451,571	\$ 45	\$ (132,896)	\$ 319,267
Stock option exercises	691	5	10,561	—	—	10,566
Vesting of restricted stock units	406	5	—	—	—	5
Issuance of common stock through employee stock purchase plan	151	2	5,293	—	—	5,295
Acquisition of common stock for tax withholding obligations	—	—	(3,940)	—	—	(3,940)
Stock-based compensation	—	—	34,543	—	—	34,543
Other comprehensive income	—	—	—	332	—	332
Equity component of convertible senior notes, net of issuance costs	—	—	111,230	—	—	111,230
Purchase of capped calls	—	—	(46,150)	—	—	(46,150)
Net loss attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	(1,833)	—	(30,702)	(32,535)
Balance at December 31, 2019	55,931	559	561,275	377	(163,598)	398,613
Stock option exercises	1,034	11	20,622	—	—	20,633
Vesting of restricted stock units	557	5	—	—	—	5
Issuance of common stock through employee stock purchase plan	160	2	6,970	—	—	6,972
Acquisition of common stock for tax withholding obligations	—	—	(8,186)	—	—	(8,186)
Stock-based compensation	—	—	50,945	—	—	50,945
Other comprehensive loss	—	—	—	(1)	—	(1)
Net loss attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	(8,858)	—	(38,053)	(46,911)
Balance at December 31, 2020	57,682	577	622,768	376	(201,651)	422,070
Stock option exercises	415	5	11,416	—	—	11,421
Vesting of restricted stock units	780	7	—	—	—	7
Issuance of common stock through employee stock purchase plan	107	1	9,019	—	—	9,020
Acquisition of common stock for tax withholding obligations	—	—	(17,007)	—	—	(17,007)
Stock-based compensation	—	—	67,595	—	—	67,595
Other comprehensive loss	—	—	—	(78)	—	(78)
Equity component of partial repurchase of 2024 convertible senior notes	—	—	(219,284)	—	—	(219,284)
Equity component of the 2026 convertible senior notes, net of issuance costs and tax	—	—	268,803	—	—	268,803
Purchase of capped calls	—	—	(102,350)	—	—	(102,350)
Net loss attributable to BlackLine, Inc., including adjustment to redeemable non-controlling interest	—	—	(15,077)	—	(100,084)	(115,161)
Balance at December 31, 2021	58,984	\$ 590	\$ 625,883	\$ 298	\$ (301,735)	\$ 325,036

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

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

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities			
Net loss attributable to BlackLine, Inc.	\$ (115,161)	\$ (46,911)	\$ (32,535)
Net loss and adjustment attributable to redeemable non-controlling interest (Note 4)	14,167	7,509	389
Net loss	(100,994)	(39,402)	(32,146)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	27,128	20,892	21,274
Change in fair value of contingent consideration	(2,758)	28	46
Amortization of debt discount and issuance costs	55,538	22,689	8,410
Loss on extinguishment of convertible notes	7,012	—	—
Stock-based compensation	65,870	49,690	34,052
Noncash lease expense	4,513	4,653	5,013
Accretion of purchase discounts on marketable securities, net	6	(157)	(2,161)
Net foreign currency (gains) losses	112	(223)	65
Deferred income taxes	(817)	(381)	1,314
Provision for (benefit from) credit losses	(100)	332	157
Changes in operating assets and liabilities, net of impact of acquisition:			
Accounts receivable	(14,255)	(5,733)	(27,962)
Prepaid expenses and other current assets	(3,956)	(5,311)	1,224
Other assets	(22,505)	(12,444)	(16,429)
Accounts payable	3,997	(4,359)	3,244
Accrued expenses and other current liabilities	14,876	3,075	5,789
Deferred revenue	51,579	26,397	33,364
Operating lease liabilities	(5,153)	(5,011)	(5,530)
Net cash provided by operating activities	<u>80,093</u>	<u>54,735</u>	<u>29,724</u>
Cash flows from investing activities			
Purchases of marketable securities	(1,180,885)	(266,369)	(565,675)
Proceeds from maturities of marketable securities	697,209	525,691	149,638
Proceeds from sales of marketable securities	—	53,033	17,279
Capitalized software development costs	(14,536)	(10,578)	(5,060)
Purchases of property and equipment	(8,729)	(6,513)	(4,632)
Acquisition, net of cash acquired	—	(119,337)	—
Purchases of intangible assets	—	(2,333)	—
Net cash provided by (used in) investing activities	<u>(506,941)</u>	<u>173,594</u>	<u>(408,450)</u>
Cash flows from financing activities			
Investment from redeemable non-controlling interest	2,171	—	—
Proceeds from issuance of convertible senior notes, net of issuance costs	1,128,794	—	487,163
Partial repurchase of convertible senior notes	(432,230)	—	—
Purchase of capped calls related to convertible senior notes	(102,350)	—	(46,150)
Proceeds from exercises of stock options	11,428	20,638	10,571
Proceeds from employee stock purchase plan	9,020	6,972	5,295
Acquisition of common stock for tax withholding obligations	(17,007)	(8,186)	(3,940)
Principal payments on finance lease obligations	(37)	—	—
Financed purchases of property and equipment	(549)	(562)	(427)
Net cash provided by financing activities	<u>599,240</u>	<u>18,862</u>	<u>452,512</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	(314)	220	261
Net increase in cash, cash equivalents, and restricted cash	172,078	247,411	74,047
Cash, cash equivalents, and restricted cash, beginning of period	367,913	120,502	46,455
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 539,991</u>	<u>\$ 367,913</u>	<u>\$ 120,502</u>
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents at end of period	539,739	367,413	120,232
Restricted cash included within prepaid expenses and other current assets at end of period	—	227	20
Restricted cash included within other assets at end of period	252	273	250
Total cash, cash equivalents, and restricted cash at end of period shown in the consolidated statements of cash flows	<u>\$ 539,991</u>	<u>\$ 367,913</u>	<u>\$ 120,502</u>

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SUPPLEMENTAL CASH FLOW DISCLOSURE
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 506	\$ 604	\$ —
Cash paid for income taxes	\$ 890	\$ 619	\$ 1,007
Non-cash financing and investing activities			
Stock-based compensation capitalized for software development	\$ 1,849	\$ 1,255	\$ 491
Capitalized software development costs included in accounts payable and accrued expenses and other current liabilities at end of period	\$ 1,276	\$ 802	\$ 560
Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities at end of period	\$ 816	\$ 619	\$ 863
Estimated fair value of contingent consideration	\$ —	\$ 17,100	\$ —

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

BLACKLINE, INC.
NOTES TO 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 October 2, 2020, the Company acquired Rimilia Holdings Ltd. (“Rimilia”), which is referred to as the “Rimilia Acquisition.”

The Company is headquartered in Woodland Hills, California and has offices in Pleasanton, California, as well as in Australia, Canada, France, Germany, Japan, the Netherlands, Poland, Romania, Singapore, and the United Kingdom..

Note 2—Significant Accounting Policies

Principles of consolidation and basis of presentation

The Company’s consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the operating results of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

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 (“SSP”) for separate deliverables in the Company’s subscription revenue arrangements, allowance for doubtful accounts, 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, income taxes, contingencies, fair value of contingent consideration, fair value of 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 extent to which COVID-19 impacts the Company’s business and financial results will depend on numerous continuously evolving factors including, but not limited to, the magnitude and duration of COVID-19, including resurgences; the impact on the Company’s employees; the extent to which it will impact worldwide macroeconomic conditions, including interest rates, employment rates, and health insurance coverage; the speed and degree of the anticipated economic recovery, as well as variability in such recovery across different geographies, industries, and markets; and governmental and business reactions to the pandemic. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 at December 31, 2021 and through the date of this report. The accounting matters assessed included, but were not limited to, the Company’s allowance for credit losses and doubtful accounts, and the carrying value of goodwill and other long-lived assets. While there was not a material impact to the Company’s consolidated financial statements for the year ended December 31, 2021, the Company’s future assessment of the magnitude and duration of

COVID-19 and other factors could result in material impacts to the Company's consolidated financial statements in future reporting periods.

Segments

Management has determined that the Company has one operating segment. The Company's chief operating decision maker, reviews financial information on a consolidated and aggregate basis, together with certain operating metrics principally to make decisions about how to allocate resources and to measure the Company's performance.

Concentration of credit risk and significant customers

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents, investments in marketable securities and accounts receivable.

The Company maintains the majority of its cash balances with one major commercial bank in interest-bearing accounts, which exceeds the Federal Deposit Insurance Corporation, or FDIC, federally insured limits.

The Company invests its excess cash in money market mutual funds, commercial paper, corporate bonds, and U.S. treasury securities. To date, the Company has not experienced any impairment losses on its investments.

For the years ended December 31, 2021, 2020, and 2019, no single customer comprised 10% or more of the Company's total revenues. No single customer had an accounts receivable balance of 10% or greater of total accounts receivable at December 31, 2021 or 2020.

Cash and cash equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash includes cash held in checking and savings accounts. Cash equivalents are comprised of investments in money market mutual funds. The carrying value of cash and cash equivalents approximates fair value.

Restricted cash

Included in other assets and prepaid expenses and other current assets was \$0.3 million and \$0.5 million of restricted cash at December 31, 2021 and 2020, respectively. The cash was required to be restricted as to use by the Company's office leaseholder to collateralize a standby letter of credit.

Investments in Marketable Securities

The Company periodically assesses its portfolio of marketable securities for impairment. For debt securities in an unrealized loss position, this assessment first takes into account the Company's intent to sell, or whether it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the debt security's amortized cost basis is written down to fair value through other income (expense), net.

For debt securities in an unrealized loss position that do not meet the aforementioned criteria, the Company assesses whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss may exist, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through other income (expense), net, limited by the amount that the fair value is less than the amortized cost basis. Any additional impairment not recorded through an allowance for credit losses is recognized in accumulated other comprehensive loss in the consolidated statements of stockholders' equity.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when the Company believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. The Company has

not recorded any credit losses for the year ended December 31, 2021. The Company has not recorded any impairment charges for unrealized losses in the periods presented.

Accounts receivable and credit losses

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. The Company makes estimates of expected credit losses for the allowance for doubtful accounts and allowance for cancellations and credits based upon its assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The estimated credit loss allowance for doubtful accounts is recorded as general and administrative expenses, while the estimated credit loss allowance for cancellations and credits is recorded as a reduction in revenue on the consolidated statements of operations.

Leases

In accordance with Accounting Standards Codification ("ASC") No. 842, *Leases*, the Company has made accounting policy elections, including a short-term lease exception policy, permitting the Company to not apply the recognition requirements of this standard to short-term leases (i.e. leases with expected terms of 12 months or less), and an accounting policy to account for lease and certain non-lease components as a single component for certain classes of assets. The portfolio approach, which allows a lessee to account for its leases at a portfolio level, was elected for certain equipment leases in which the difference in accounting for each asset separately would not have been materially different from accounting for the assets as a combined unit.

The Company has leases for office space, equipment, and data centers. The Company determines whether an arrangement is a lease, or contains a lease, at inception if the Company is both able to identify an asset and can conclude it has the right to control the identified asset for a period of time. Leases are included in property and equipment, operating lease ROU assets, finance lease liabilities, and operating lease liabilities on the Company's consolidated balance sheets. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet.

Finance lease assets classified within property and equipment and operating lease ROU assets represent the Company's right to control an underlying asset for the lease term, finance lease liabilities and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease, both of which are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date or remeasurement date to determine the discount rate used to present value lease payments for finance and operating leases. The incremental borrowing rate used is estimated based on what the Company would be required to pay for a collateralized loan over a similar term. Additionally, the Company generally uses the portfolio approach when applying the discount rate selected based on the dollar amount and term of the obligation. The Company's leases typically do not include any residual value guarantees, bargain purchase options, or asset retirement obligations.

The Company's lease terms are only for periods in which it has enforceable rights. The Company generally uses the base, non-cancellable lease term when determining the lease assets and liabilities. A lease is no longer enforceable when both the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty. The Company's lease terms are impacted by options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company's agreements may contain variable lease payments. The Company includes variable lease payments that depend on an index or a rate and excludes those which depend on facts or circumstances occurring after the commencement date, other than the passage of time. Additionally, for certain equipment leases, the Company applies a portfolio approach to effectively account for the lease assets and liabilities.

Judgment is required when determining whether any of the Company's data center contracts contain a lease. The Company concluded a lease exists when the asset is specifically identifiable, substantially all the economic benefit of the asset is obtained, and the right to direct the use of the asset exists during the term of the lease.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three to five years for machinery and equipment and purchased software, and five years for furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or seven years. Expenditures for repairs and maintenance are expensed as incurred, while renewals and improvements are capitalized. Depreciation expense is charged to operations on a straight-line basis over the estimated useful lives of the assets.

Capitalized internal-use software costs

The Company accounts for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles—Goodwill and Other* (“ASC 350”). The Company capitalizes certain costs in the development of its Software as a Service (“SaaS”) subscription solution when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and performed as intended. These capitalized costs include personnel and related expenses for employees and costs of third-party contractors who are directly associated with and who devote time to internal-use software projects. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to the Company’s SaaS software solutions are also capitalized. Costs incurred for training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years.

During the years ended December 31, 2021, 2020, and 2019, the Company amortized \$9.0 million, \$6.4 million, and \$4.7 million, respectively, of internal-use software development costs to subscription and support cost of revenues. At December 31, 2021 and 2020, the accumulated amortization of capitalized internal-use software development costs was \$28.0 million and \$19.7 million, respectively.

The Company capitalizes certain implementation costs incurred in a hosting arrangement that is a service contract. These capitalized costs exclude training costs, project management costs, and data migration costs. Capitalized software implementation costs are amortized using the straight-line method over the terms of the associated hosting arrangements.

Amortization of internal-use software implementation costs included in sales and marketing expenses in the consolidated statements of operations was \$0.1 million and \$0.1 million for the years ended December 31, 2021 and December 31, 2020, respectively. During the year ended December 31, 2019, the Company had no material amortization of internal-use software implementation costs.

Intangible assets

Intangible assets primarily consist of developed technology, customer relationships, and trade names, which were acquired as part of the 2013 Acquisition, the Runbook Acquisition, and the Rimilia Acquisition. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from one to 11 years.

Impairment of long-lived assets

Management evaluates the recoverability of the Company’s property and equipment, finite-lived intangible assets and capitalized internal-software costs when events or changes in circumstances indicate a potential impairment exists. Events and changes in circumstances considered by the Company in determining whether the carrying value of long-lived assets may not be recoverable include, but are not limited to, significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, and changes in the Company’s business strategy. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (an “asset group”). In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of the asset group. If impairment is indicated based on a comparison of the assets’ carrying values and the undiscounted cash flows, the impairment

loss is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company determined that there were no events or changes in circumstances that potentially indicated that the Company's long-lived assets were impaired during the years ended December 31, 2021, 2020, and 2019.

Business combinations

The results of businesses acquired in business combinations are included in the Company's consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business generally being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expenses in the consolidated statements of operations.

The Company performs valuations of assets acquired and liabilities assumed and allocates the purchase price to its respective assets and liabilities. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates, and selection of comparable companies. The Company engages the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. The Company tests goodwill for impairment in accordance with the provisions of ASC 350, *Intangibles—Goodwill and Other*. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, unanticipated competition, loss of key personnel, significant changes in the use of the acquired assets or the Company's strategy, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform an impairment test.

The first step involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then an impairment charge is recorded for the difference between the reporting unit's fair value and carrying amount, not to exceed the carrying amount of the goodwill.

The Company has one reporting unit, and it tests its goodwill for impairment annually, during the fourth quarter of the calendar year. At December 31, 2021 and 2020, the Company used the quantitative approach to perform its annual goodwill impairment test. The fair value of the Company's reporting unit significantly exceeded the carrying value of its net assets and, accordingly, goodwill was not impaired.

Redeemable non-controlling interest

The Company's Japanese subsidiary ("BlackLine K.K.") is not wholly owned. The agreements with the minority investors of BlackLine K.K. contain redemption features whereby the interest held by the minority investors are redeemable either (i) at the option of the minority investors or (ii) at the option of the Company, both beginning on the seventh anniversary of the initial capital contribution. If the interest of the minority investors were to be redeemed under these agreements, the Company would be required to redeem the interest based on a prescribed formula derived from the relative revenue of BlackLine K.K. and the Company. The balance of the redeemable non-controlling interest is reported at the greater of the initial carrying amount adjusted for the redeemable non-

controlling interest's share of earnings or losses and other comprehensive income or loss, or its estimated redemption value. The resulting changes in the estimated redemption amount (increases or decreases) are recorded with corresponding adjustments against retained earnings or, in the absence of retained earnings, additional paid-in-capital. These interests are presented on the consolidated balance sheets outside of equity under the caption "Redeemable non-controlling interest."

Convertible Senior Notes

The Company accounts for the issued Convertible Senior Notes (the "Notes") as separate liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the difference between the proceeds and the fair value of a similar liability that does not have an associated convertible feature. This difference represents a debt discount that is amortized to interest expense over the term of the Notes using the effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The Company has allocated issuance costs incurred to the liability and equity components. Issuance costs attributable to the liability component are being amortized to expense over the respective term of the Notes, and issuance costs attributable to the equity components were netted with the respective equity component in additional paid-in capital.

To the extent that the Company receives conversion requests prior to the maturity of the Notes, a portion of the equity component is classified as temporary equity, which is measured as the difference between the principal and net carrying amount of the Notes requested for conversion. Upon settlement of the conversion requests, the difference between the fair value and the amortized book value of the liability component of the Notes requested for conversion is recorded as a gain or loss on early conversion. The fair value of the Notes are measured based on a similar liability that does not have an associated convertible feature based on the remaining term of the Notes, which requires significant judgment.

Fair value of financial instruments

ASC 820, *Fair Value Measurement*, requires entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1:** Quoted prices in active markets for identical or similar assets and liabilities.
- Level 2:** Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2021 and 2020, the carrying values of cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to the short-term nature of such instruments.

Contingent consideration related to acquisitions is recorded at fair value as a liability on the acquisition date and is remeasured at each reporting date, based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions management believes would be made by a market participant. Management assesses these estimates on an ongoing basis as additional data impacting the assumptions becomes available. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within general and administrative expenses in the consolidated statements of operations.

To determine the fair value of the contingent consideration liability relating to the 2013 Acquisition, the Company discounted estimated future taxable income. The significant inputs used in the fair value measurement of contingent consideration are the timing and amount of taxable income in any given period, as well as an appropriate discount rate, which are not based on observable market data and consider the risks associated with the forecasted taxable income. Changes in the significant inputs used such as estimated future taxable income and the periods in which they are generated, would significantly impact the fair value of the contingent consideration liability.

To determine the fair value of the contingent consideration liability relating to the Rimilia Acquisition, the Company utilized a Monte Carlo simulation model to value the earn-out based on the likelihood of reaching firm-specific targets. Significant inputs used in the fair value measurement of the contingent consideration liability are the amount and timing of Rimilia Annual Recurring Revenue ("ARR") in the second year subsequent to the acquisition. Changes in the significant inputs used in the fair value measurement, specifically a change to the Rimilia ARR, would significantly impact the fair value of the contingent consideration liability.

Certain assets, including goodwill and long-lived assets, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the years ended December 31, 2021, 2020, and 2019, no impairments were identified on those assets required to be measured at fair value on a non-recurring basis.

Revenue recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of subscription and support services and professional services, which are generally capable of being distinct and accounted for as separate performance obligations. The Company's agreements do not contain any refund provisions other than in the event of the Company's non-performance or breach.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Subscription and support revenue – Customers pay subscription and support fees for access to the Company's SaaS platform. Our subscription contracts have initial terms of one year to three years with renewal options. Fees are based on a number of factors, including the solutions subscribed for by the customer and the number of users having access to the solutions. Subscription services, which allow customers to use hosted software over the contract period without taking possession of the software, are considered distinct performance obligations and are recognized ratably as the Company transfers control evenly over the contract period.

Subscription and support revenue also includes software and related maintenance and support fees on legacy BlackLine solutions, Runbook Company B.V. ("Runbook") software, and Rimilia software. Software licenses for legacy BlackLine solutions, Runbook software, and Rimilia software provide the customer with a right to use the software as it exists when made available to the customer. Customers may have purchased perpetual licenses or term-based licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.

Professional services revenue – Professional services consist of implementation and consulting services to assist the Company's customers as they deploy its solutions. These services are considered distinct performance obligations. Professional services do not result in significant customization of the subscription service. The Company applies the practical expedient to recognize professional services revenue when it has the right to invoice based on time and materials incurred. The Company applies the optional exemption and has excluded the variable consideration from the disclosure of remaining performance obligations.

Significant judgments – The Company's contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations

that should be accounted for separately versus together may require significant judgment. Judgment is also required to determine the SSP for each distinct performance obligation. The Company typically has more than one SSP for its SaaS solutions and professional services. Additionally, management has determined that there are no third-party offerings reasonably comparable to the Company's solutions. Therefore, the Company determines the SSPs of subscriptions to the SaaS solutions and professional services based on numerous factors including the Company's overall pricing objectives, geography, customer size and number of users, and discounting practices. The Company uses historical maintenance renewal fees to estimate SSP for maintenance and support fees bundled with software licenses. The Company uses the residual method to estimate SSP of software licenses, because license pricing is highly variable and not sold separately from maintenance and support.

Contract balances – Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records an unbilled receivable when revenue is recognized prior to invoicing, and deferred revenue when revenue is recognized subsequent to invoicing. The Company generally invoices customers annually at the beginning of each annual contract period.

Deferred revenue is comprised mainly of billings related to the Company's SaaS solutions in advance of revenue being recognized. Deferred revenue also includes payments for: professional services to be performed in the future; legacy BlackLine maintenance and support; Runbook maintenance, support, license, and implementation; and other offerings for which the Company has been paid in advance and earns the revenue when the Company transfers control of the product or service.

Changes in deferred revenue for the years ended December 31, 2021, 2020, and 2019 were primarily due to additional billings in the periods, partially offset by revenue recognized of \$189.6 million, \$161.3 million, and \$129.3 million, respectively, that was previously included in the deferred revenue balance at December 31, 2020, 2019, and 2018, respectively.

The transaction price is generally determined by the stated fixed fees in the contract, excluding any related sales taxes. Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized ("contracted not recognized"), which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted not recognized revenue was \$596.3 million at December 31, 2021, of which the Company expects to recognize approximately 58.2% over the next 12 months and the remainder thereafter.

Fees are generally due and payable upon receipt of invoice or within 30 days. None of the Company's contracts include a significant financing component.

Assets recognized from the costs to obtain a contract with a customer – The Company recognizes an asset for the incremental and recoverable costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be one year or longer. The Company has determined that certain sales incentive programs to the Company's employees ("deferred customer contract acquisition costs") and its partners ("partner referral fees") meet the requirements to be capitalized. Deferred customer acquisition costs related to new revenue contracts and upsells are deferred and then amortized on a straight-line basis over the expected period of benefit, which the Company has determined to be five years, based upon both the product turnover rate and estimated customer life. The Company enters into partnership arrangements where partner referral fees are paid either on the initial contract or on both the initial contract and renewal of the contract. The Company assesses whether the renewal fee is commensurate with the initial fee. When the renewal fee is commensurate with the initial fee, the Company amortizes the deferred costs over the initial year of the contract. Otherwise, the initial fee is amortized over five years. Deferred customer acquisition costs and partner referral fees are included within other assets on the consolidated balance sheets. There were no impairment losses in relation to the costs capitalized for the periods presented.

Amortization expense related to the asset recognized from the costs to obtain a contract with a customer is included in sales and marketing expenses in the consolidated statements of operations and was \$22.4 million, \$17.3 million, and \$18.1 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Cost of revenues

Cost of revenues primarily consists of costs related to hosting the Company's cloud-based application suite, salaries and benefits of operations and support personnel, including stock-based compensation, and amortization of

capitalized internal-use software costs. The Company allocates a portion of overhead, such as rent, information technology costs and depreciation and amortization to cost of revenues. Costs associated with providing professional services are expensed as incurred when the services are performed. In addition, subscription and support cost of revenues includes amortization of acquired developed technology.

Sales and marketing

Sales and marketing expenses consist primarily of compensation and employee benefits, including stock-based compensation, of sales and marketing personnel and related sales support teams, sales and partner commissions, marketing events, advertising costs, travel, trade shows, other marketing materials, and allocated overhead. Sales and marketing expenses also include amortization of customer relationship intangible assets. Advertising costs are expensed as incurred and totaled \$9.0 million, \$6.8 million, and \$10.9 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Research and development

Research and development expenses are comprised primarily of salaries, benefits and stock-based compensation associated with the Company's engineering, product and quality assurance personnel. Research and development expenses also include third-party contractors and supplies and allocated overhead. Other than software development costs that qualify for capitalization, as discussed above, research and development costs are expensed as incurred.

General and administrative

General and administrative expenses consist primarily of personnel costs associated with the Company's executive, finance, legal, human resources, compliance, and other administrative personnel, as well as accounting and legal professional services fees, other corporate-related expenses and allocated overhead. General and administrative expenses also include amortization of covenant not to compete and tradename intangible assets, the change in value of the contingent consideration, legal settlement gains, and costs associated with the shelf offerings.

Stock-based compensation

The Company accounts for stock-based compensation awards granted to employees and directors based on the awards' estimated grant date fair value. The Company estimates the fair value of its stock options using the Black-Scholes option-pricing model. For awards that vest solely based on continued service ("service-only vesting conditions"), the resulting fair value is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for the award, usually the vesting period, which is generally four years. The Company recognizes the fair value of stock options which contain performance conditions based upon the probability of the performance conditions being met, using the graded vesting method. The Company accounts for forfeitures when they occur rather than estimate a forfeiture rate.

Determining the grant date fair value of options using the Black-Scholes option-pricing model requires management to make assumptions and judgments. These estimates involve inherent uncertainties and, if different assumptions had been used, stock-based compensation expense could have been materially different from the amounts recorded. The assumptions and estimates are as follows:

Value per share of the Company's common stock. For awards granted subsequent to the Company's initial public offering, the fair value of common stock is based on the closing price of the Company's common stock, as reported on the NASDAQ, on the date of grant.

Expected volatility. The Company determines the expected volatility based on a weighted average of the historical volatility of its common stock and, as applicable, the historical average volatilities of similar publicly-traded companies, corresponding to the expected term of the awards.

Expected term. The Company determines the expected term of awards which contain service-only vesting conditions using the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award, as the Company does not have sufficient historical data relating to stock option exercises. The expected term for the Company's ESPP represents the amount of time remaining in the 12-month offering period.

Risk-free interest rate. The risk-free interest rate is based on the United States Treasury yield curve in effect during the period the options were granted corresponding to the expected term of the awards.

Estimated dividend yield. The estimated dividend yield is zero, as the Company does not currently intend to declare dividends in the foreseeable future.

The following information represents the weighted average of the assumptions used in the Black-Scholes option-pricing model for stock options granted:

	Year Ended December 31,		
	2021	2020	2019
Expected term (years)	6.0	6.2	6.1
Expected volatility	47.0 %	48.4 %	46.7 %
Risk free interest rate	1.0 %	0.4 %	2.2 %
Expected dividend yield	—	—	—

Income taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized. The Company recognizes interest and penalties accrued with respect to uncertain tax positions, if any, in the provision for income taxes in the consolidated statements of operations.

Net loss per share

Basic and diluted loss per share is calculated by dividing net loss attributable to BlackLine, Inc. by the weighted average number of shares of common stock outstanding. As the Company has net losses for the periods presented, all potentially dilutive common stock, which are comprised of stock options and restricted stock units, are antidilutive.

Foreign currency

The Company's functional currency for its foreign subsidiaries is the U.S. Dollar ("USD"), with the exception of its BlackLine K.K. subsidiary, for which the Japanese Yen is the functional currency. The foreign exchange impacts of remeasuring the local currency of the foreign subsidiaries to the functional currency is recorded in general and administrative expenses in the Company's consolidated statements of operations. Monetary assets and liabilities of foreign operations are remeasured at balance sheet date exchange rates, non-monetary assets and liabilities and equity are remeasured at the historical exchange rates, while results of operations are remeasured at average exchange rates in effect for the period. Foreign currency transaction losses totaled \$1.0 million, \$0.6 million, and \$0.5 million for the years ended December 31, 2021, 2020, and 2019, respectively. The financial statements of BlackLine K.K. are translated to USD using balance sheet date exchange rates for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities and equity, and average exchange rates in the period for revenues and expenses. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity in the consolidated balance sheets.

Recent accounting pronouncements

Recently-issued accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20)* and *Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This standard eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. For public business entities, it is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years using the fully retrospective or modified retrospective method. Early adoption is permitted but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is planning to adopt the provisions of the new standard effective the first quarter of 2022 and is evaluating the impact of the adoption on its consolidated financial statements.

In January 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-01, *Reference Rate Reform (Topic 848)*, which refines the scope of ASC 848 and clarifies some of its guidance of global reference rate reform activities. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to transactions affected by reference rate reform if certain criteria are met. These transactions include contract modifications, hedging relationships, and sale or transfer of debt securities classified as held-to-maturity. Entities may apply the provisions of the new standard as of the beginning of the reporting period when the election is made (i.e., as early as the first quarter of 2020). The Company has not adopted the provisions of the new standard and does not expect it to have a material impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This standard addresses diversity in practice and inconsistency related to recognition of an acquired contract liability, and payment terms and their effect on subsequent revenue recognized by the acquirer. For public business entities, it is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities should apply the provisions of the new standard prospectively to business combinations occurring on or after the effective date of the standard. Early adoption is permitted, including adoption in an interim period. The Company is planning to adopt the provisions of the new standard effective the first quarter of 2022 and is evaluating the impact of its adoption on our business combination completed in January 2022.

Note 3—Revenues

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):

	Year Ended December 31,		
	2021	2020	2019
United States	\$ 304,603	\$ 264,016	\$ 223,375
International	121,103	87,721	65,601
	<u>\$ 425,706</u>	<u>\$ 351,737</u>	<u>\$ 288,976</u>

No countries outside the United States represented 10% or more of total revenues.

Note 4—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 indicated below:

	December 31,		
	2021	2020	2019
Balance at beginning of period	\$ 12,524	\$ 4,905	\$ 4,387
Investment by redeemable non-controlling interest	2,171	—	—
Net loss attributable to redeemable non-controlling interest (excluding adjustment to non-controlling interest)	(910)	(1,349)	(1,444)
Foreign currency translation	(163)	110	129
Adjustment to redeemable non-controlling interest	15,077	8,858	1,833
Balance at end of period	<u>\$ 28,699</u>	<u>\$ 12,524</u>	<u>\$ 4,905</u>

Note 5 — Business Combinations

On October 2, 2020, the Company completed the acquisition of Rimilia for consideration of \$120.0 million payable at the closing of the acquisition with additional cash payments of up to \$30.0 million payable upon certain earnout conditions being met. The acquisition expands the Company's capabilities into an adjacent area, adding accounts receivable automation, and accelerating the Company's larger, long-term plan for transforming and modernizing finance and accounting. Transaction-related costs incurred by the Company totaling approximately \$4.7 million were expensed as incurred and were included in general and administrative expenses in the Company's consolidated statement of operations for the year ended December 31, 2020.

The contingent cash consideration was classified as a liability and included in contingent consideration on the Company's consolidated balance sheet and is remeasured on a recurring basis at fair value. To estimate the fair value of the contingent consideration liability, management utilized a Monte Carlo simulation model to value the earn-out based on the likelihood of reaching firm-specific targets. Significant inputs used in the fair value measurement of contingent consideration are the amount and timing of Rimilia Annual Recurring Revenue ("ARR") in each year over a two year period subsequent to the acquisition date. At the acquisition date, the fair value of the contingent consideration liability was determined to be \$17.1 million, and at December 31, 2021, the fair value of the contingent consideration liability was \$14.4 million. See Note 15 for additional information regarding the valuation of the contingent consideration at December 31, 2021.

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 total purchase consideration was \$121.4 million of cash, reduced by a working capital adjustment of \$0.2 million, and \$17.1 million in contingent consideration payable based on the amount and timing of Rimilia's ARR. The purchase price accounting for this acquisition is final.

The major classes of assets and liabilities to which the Company allocated the total fair value of purchase consideration of \$138.4 million were as follows (in thousands):

Cash and cash equivalents	\$ 1,901
Accounts receivable, net	2,232
Prepaid expenses and other current assets	1,873
Property and equipment, net	180
Operating lease right-of-use assets	329
Intangible assets, net	34,500
Goodwill	104,572
Accounts payable	(533)
Accrued expenses and other current liabilities	(1,885)
Deferred revenue	(2,100)
Operating lease liabilities	(329)
Deferred tax liabilities, net	(2,357)
Total consideration	<u>\$ 138,383</u>

The Company believes the amount of goodwill resulting from the acquisition is primarily attributable to increased offerings to customers, enhanced opportunities for growth and innovation, and expected synergies from the assembled workforce. 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. The acquired intangible asset categories, fair value, and amortization periods, were as follows:

	Amortization Period	Fair Value (in thousands)
Developed technology	11 years	\$ 21,800
Customer relationships	4 years	12,700
		<u>\$ 34,500</u>

The weighted average lives of intangible assets at the acquisition date was 8.4 years.

The identified intangible assets, developed technology and customer relationships, were valued as follows:

Developed technology – The Company valued the finite-lived developed technology using the multi-period excess earnings model ("MPEEM") under the income approach. This method estimates an intangible asset's value based on the present value of the incremental after-tax cash flows attributable to the intangible asset. The Company applied judgement which involves the use of significant assumptions with respect to the discount rate, obsolescence rate, revenue forecasts, and EBITDA forecasts.

Customer relationships – The Company valued the finite-lived customer relationships using the differential cash flow (with-and-without) model. This method assumes that the value of the intangible asset is equal to the difference between the present value of the prospective cash flows with the intangible asset in place and the present value of the prospective cash flows without the intangible asset. The Company applied judgement, which involved the significant assumption of the discount rate and the customer ramp-up rate.

The revenue and earnings of the acquired business were included in the Company's results since the acquisition date and are not material to the Company's consolidated financial results. Pro forma revenues and

results of operations for this acquisition have not been presented as the impact on the Company's consolidated financial statements would be immaterial.

Note 6—Intangible Assets and Goodwill

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

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	\$ 15,977	\$ (13,317)	\$ 2,660
Developed technology	64,358	(43,148)	21,210
Customer relationships	16,589	(6,046)	10,543
Defensive patent	2,333	(551)	1,782
	<u>\$ 99,257</u>	<u>\$ (63,062)</u>	<u>\$ 36,195</u>

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	\$ 15,977	\$ (11,720)	\$ 4,257
Developed technology	64,358	(40,463)	23,895
Customer relationships	44,483	(28,058)	16,425
Defensive patent	2,333	(236)	2,097
	<u>\$ 127,151</u>	<u>\$ (80,477)</u>	<u>\$ 46,674</u>

Amortization expense is included in the following functional statements of operations expense categories. Amortization expense was as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of revenues	\$ 2,685	\$ 1,192	\$ 4,797
Sales and marketing	5,883	4,655	3,872
General and administrative	1,911	1,832	1,596
	<u>\$ 10,479</u>	<u>\$ 7,679</u>	<u>\$ 10,265</u>

The following table presents the Company's estimate of remaining amortization expense for each of the five succeeding fiscal years and thereafter for finite-lived intangible assets at December 31, 2021 (in thousands):

2022	\$ 8,155
2023	7,622
2024	5,555
2025	2,680
2026	2,552
Thereafter	9,631
	<u>\$ 36,195</u>

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

Balance at December 31, 2019	\$ 185,138
Addition from acquisition	104,572
Balance at December 31, 2020	289,710
Addition from acquisition	—
Balance at December 31, 2021	<u>\$ 289,710</u>

Note 7—Balance Sheet Components

Investments in Marketable Securities

Investments in marketable securities presented within current assets on the consolidated balance sheet consisted of the following:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Marketable securities				
Corporate bonds	\$ 74,144	\$ 346	\$ (10)	\$ 74,480
Commercial paper	584,742	—	(258)	584,484
	<u>\$ 658,886</u>	<u>\$ 346</u>	<u>\$ (268)</u>	<u>\$ 658,964</u>
	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Marketable securities				
U.S. treasury securities	\$ 149,991	\$ 3	\$ —	\$ 149,994
Corporate bonds	22,621	—	(8)	22,613
Commercial paper	2,599	—	—	2,599
	<u>\$ 175,211</u>	<u>\$ 3</u>	<u>\$ (8)</u>	<u>\$ 175,206</u>

Net gains related to maturities of marketable securities that were reclassified from accumulated other comprehensive loss to earnings, and included in general and administrative expenses in the Company's consolidated statements of operations, were immaterial, \$0.2 million, and \$2.0 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Net gains and losses are determined using the specific identification method. During the years ended December 31, 2021, 2020, and 2019, there were no material realized gains or losses related to sales of marketable securities recognized in the Company's consolidated statements of operations.

Marketable securities in a continuous loss position for less than 12 months had an estimated fair value of \$379.7 million and \$0.3 million of unrealized losses at December 31, 2021, and an estimated fair value of \$12.6 million and an immaterial amount of unrealized losses at December 31, 2020. At December 31, 2021, there were no marketable securities in a continuous loss position for greater than 12 months.

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 December 31, 2021 or December 31, 2020.

The Company's marketable securities have a contractual maturity of less than two years. The amortized cost and fair values of marketable securities, by remaining contractual maturity, were as follows:

	December 31, 2021	
	Amortized Cost	Fair Value
(in thousands)		
Maturing within 1 year	\$ 643,432	\$ 643,408
Maturing between 1 and 2 years	15,454	15,556
	<u>\$ 658,886</u>	<u>\$ 658,964</u>

Other Assets

Other assets consisted of the following (in thousands):

	December 31,	
	2021	2020
Deferred customer contract acquisition costs	\$ 79,961	\$ 58,980
Restricted cash	252	273
Capitalized software implementation costs	7,023	2,372
Other assets	617	3,744
	<u>\$ 87,853</u>	<u>\$ 65,369</u>

Accrued Expenses and Other Current Liabilities

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

	December 31,	
	2021	2020
Accrued salaries and employee benefits	\$ 32,156	\$ 21,707
Accrued income and other taxes payable	9,770	5,496
Other accrued expenses and current liabilities	9,004	8,755
	<u>\$ 50,930</u>	<u>\$ 35,958</u>

Note 8—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):

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 432,110	\$ —	\$ —	\$ 432,110
Marketable securities				
Corporate bonds	—	74,480	—	74,480
Commercial paper	—	584,484	—	584,484
Total assets	<u>\$ 432,110</u>	<u>\$ 658,964</u>	<u>\$ —</u>	<u>\$ 1,091,074</u>
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 20,732	\$ 20,732
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20,732</u>	<u>\$ 20,732</u>

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 98,336	\$ —	\$ —	\$ 98,336
U.S. treasury securities	199,984	—	—	199,984
Marketable securities				
U.S. treasury securities	149,994	—	—	149,994
Corporate bonds	—	22,613	—	22,613
Commercial paper	—	2,599	—	2,599
Total assets	\$ 448,314	\$ 25,212	\$ —	\$ 473,526
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 23,490	\$ 23,490
Total liabilities	\$ —	\$ —	\$ 23,490	\$ 23,490

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

	Year Ended December 31,		
	2021	2020	2019
Beginning fair value	\$ 23,490	\$ 6,362	\$ 6,316
Additions in the period	—	17,100	—
Change in fair value	(2,758)	28	46
Ending fair value	<u>\$ 20,732</u>	<u>\$ 23,490</u>	<u>\$ 6,362</u>

Note 9—Property and Equipment

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

	December 31,	
	2021	2020
Computers and equipment	\$ 18,286	\$ 13,480
Purchased software	11,634	10,561
Furniture and fixtures	2,727	2,806
Leasehold improvements	10,062	10,165
Data center equipment - finance lease	1,231	—
Construction in progress	938	17
	<u>\$ 44,878</u>	<u>\$ 37,029</u>
Less: accumulated depreciation and amortization	\$ (28,557)	\$ (23,790)
	<u>\$ 16,321</u>	<u>\$ 13,239</u>

Depreciation and amortization expense related to property and equipment was \$7.6 million, \$6.8 million, and \$6.3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Note 10—Leases

The Company has entered into various operating and finance lease agreements for office space and data centers. As of December 31, 2021, the Company had 16 leased properties with remaining lease terms of less than one year to thirteen years, some of which include options to extend the leases up to six years, and some of which include options to terminate the leases within one year.

The components of the lease expense recorded in the consolidated statements of operations were as follows:

	Year Ended December 31,	
	2021	2020
(in thousands)		
Finance lease cost:		
Amortization of assets	\$ 46	\$ —
Interest on lease liabilities	3	—
Operating lease cost	4,792	5,364
Short-term lease cost	336	697
Variable cost	741	738
Total lease cost	\$ 5,918	\$ 6,799

Supplemental balance sheet information related to leases was as follows:

		December 31,	
		2021	2020
(in thousands)			
Leases	Year Ended Classification		
Assets:			
Finance lease assets	Property and equipment, net (1)	\$ 1,185	\$ —
Operating lease assets	Operating lease right-of-use assets (2)	16,264	8,708
Total leased assets		\$ 17,449	\$ 8,708
Liabilities:			
Current			
Finance	Short-term portion of finance lease liabilities	\$ 373	\$ —
Operating	Operating lease liabilities, current	4,936	4,147
Noncurrent			
Finance	Finance lease liabilities, noncurrent	824	—
Operating	Operating lease liabilities, noncurrent	13,248	7,356
Total leased liabilities		\$ 19,381	\$ 11,503

⁽¹⁾ Finance lease assets are recorded net of accumulated amortization of \$46 thousand and nil at December 31, 2021 and December 31, 2020, respectively.

⁽²⁾ Operating lease assets are recorded net of accumulated amortization of \$4.4 million and \$4.7 million at December 31, 2021 and December 31, 2020, respectively.

For the years ended December 31, 2021 and 2020, right-of-use assets obtained in exchange for finance lease obligations was approximately \$1.2 million and nil.

For the years ended December 31, 2021 and 2020, right-of-use assets obtained in exchange for operating lease obligations was approximately \$12.1 million and \$0.8 million, of which \$0.3 million related to leases acquired in connection with the Rimilia Acquisition.

Cash flow and other information related to leases was as follows:

	Year Ended December 31,	
	2021	2020
(in thousands)		
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from finance leases	\$ 15	\$ —
Operating cash flows from operating lease liabilities	5,390	5,769
Weighted average remaining lease term (in years):		
Finance leases	2.9	—
Operating leases	4.3	3.9
Weighted average discount rate:		
Finance leases	2.2 %	—
Operating leases	2.3 %	5.4 %

Maturities of lease liabilities at December 31, 2021, for each of the five succeeding fiscal years and thereafter, were:

	Finance Leases	Operating Leases
	(in thousands)	
2022	\$ 394	\$ 4,637
2023	419	5,587
2024	419	2,992
2025	4	2,722
2026	—	2,154
Thereafter	—	1,150
Total lease payments	1,236	19,242
Less imputed interest	(39)	(1,058)
Total lease obligations	\$ 1,197	\$ 18,184

At December 31, 2021, the Company had two lease obligations totaling \$1.1 million that commenced in the first quarter of 2022 with lease terms of approximately ten months and twenty-six months.

Note 11—Convertible Senior Notes

2024 Notes

In August 2019, the Company issued 0.125% Convertible Senior Notes (the “2024 Notes”) due in 2024 for aggregate gross proceeds of \$500.0 million, which includes the initial purchasers’ option of \$65.0 million aggregate principal amount, in a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). The resale of the 2024 Notes by the initial purchasers to qualified institutional buyers was exempt from registration pursuant to Rule 144A under the Securities Act. The 2024 Notes were issued pursuant to an indenture between the Company and U.S. Bank National Association, as trustee.

In connection with the issuance of the 2026 Notes (as defined below) in March 2021, the Company used approximately \$432.2 million of the net proceeds to repurchase \$250.0 million aggregate principal amount of the 2024 Notes. Management also determined the fair value of the liability component of the 2024 Notes being extinguished. To estimate the fair value of a similar liability that does not have an associated conversion feature, management discounted the contractual cash flows of the 2024 Notes at an estimated interest rate for a comparable non-convertible note. Based on market data available for publicly-traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2024 Notes to be approximately 4.94%. The fair value of the liability portion was then deducted

from the amount of consideration transferred and allocated to the liability component. The remaining consideration was allocated to the reacquisition of the equity component of the 2024 Notes and recognized as a reduction of additional paid-in capital in the amount of \$219.3 million. The difference between the fair value of the liability and its carrying value was recognized as an extinguishment loss in the amount of \$7.0 million. The equity component of the 2024 Notes will not be remeasured as long as it continues to meet the conditions for equity classification. The debt discount is amortized to interest expense over the term of the 2024 Notes using the effective interest method.

The 2024 Notes consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Liability:		
Principal	\$ 250,000	\$ 500,000
Unamortized debt discount and issuance costs	(34,500)	(92,968)
Net carrying amount	\$ 215,500	\$ 407,032
Carrying amount of the equity component	\$ 55,615	\$ 111,230

The Company carries the 2024 Notes at face value less unamortized discount and issuance costs on its consolidated balance sheet and presents the fair value for disclosure purposes only. The estimated fair value of the 2024 Notes, based on a market approach at December 31, 2021 was approximately \$377.2 million, which represents a Level 2 valuation. 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.

During the year ended December 31, 2021, the Company recognized \$14.4 million of interest expense related to the amortization of debt discount and issuance costs and \$0.4 million of coupon interest expense. During the year ended December 31, 2020, the Company recognized \$22.7 million of interest expense related to the amortization of debt discount and issuance costs and \$0.6 million of coupon interest expense.

At December 31, 2021, the remaining life of the 2024 Notes was approximately 31 months.

The 2024 Notes were convertible at December 31, 2021. As a result, holders have the option to convert their Notes at any time during the quarter ending March 31, 2022.

It is the Company's current intent to settle conversions of the 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. At December 31, 2021 and through the date of this filing, the Company has not received any conversion requests for the 2024 Notes.

2026 Notes

In March 2021, the Company issued \$1.15 billion aggregate gross proceeds, which includes the initial purchasers' option of \$150.0 million aggregate principal amount, of 0.00% Convertible Senior Notes due 2026 (the "2026 Notes" and, together with the 2024 Notes, the "Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2026 Notes were sold to the initial purchasers pursuant to an exemption from the registration requirements of the Securities Act afforded by Section 4(a)(2) of the Securities Act. The 2026 Notes were issued pursuant to an indenture (the "Indenture"), by and between the Company and U.S. Bank National Association, as trustee (the "Trustee").

The 2026 Notes do not bear regular interest, and the principal amount of the 2026 Notes does not accrete. The 2026 Notes may bear special interest under specified circumstances related to the Company's failure to comply with its reporting obligations under the Indenture or if the 2026 Notes are not freely tradeable as required by the Indenture. The 2026 Notes will mature on March 15, 2026, unless redeemed, repurchased, or converted prior to such date in accordance with their terms.

The initial conversion rate of the 2026 Notes is 6.0156 shares of common stock per \$1,000 principal amount of the 2026 Notes, equivalent to an initial conversion price of approximately \$166.23 per share of common stock.

The conversion rate is subject to adjustment for certain events. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. It is the Company's current intent to settle conversions of the 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.

Prior to the close of business on the business day immediately preceding December 15, 2025, the 2026 Notes will be convertible only under the following circumstances:

(1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, and only during such calendar quarter, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2026 Notes on each applicable trading day;

(2) during the five business-day period after any five consecutive trading-day period in which the trading price per \$1,000 principal amount of 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate on each such trading day;

(3) if the Company calls any or all of the 2026 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or

(4) upon the occurrence of specified corporate events set forth in the Indenture.

If the Company undergoes a fundamental change, as described in the Indenture, prior to the maturity date, holders may require the Company to repurchase all or a portion of the 2026 Notes for cash at a price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus any accrued and unpaid special interest, if any, to, but excluding, the fundamental change repurchase date.

The 2026 Notes are the Company's senior unsecured obligations and will rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 2026 Notes; equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of current or future subsidiaries of the Company.

The Indenture contains customary events of default with respect to the Notes and provides that upon certain events of default occurring and continuing, the Trustee may, and the Trustee at the request of holders of at least 25% in principal amount of the Notes shall, declare all principal and accrued and unpaid interest, if any, of the Notes to be due and payable. In case of certain events of bankruptcy, insolvency or reorganization, involving the Company, all of the principal of, and accrued and unpaid interest on the Notes will automatically become due and payable.

In accounting for the issuance of the 2026 Notes, management allocated the proceeds of the 2026 Notes between liability and equity components. To estimate the fair value of the liability component, management measured the fair value of a similar liability that does not have an associated conversion feature by discounting the contractual cash flows of the 2026 Notes at an estimated interest rate for a comparable non-convertible note. The Company applied judgment to determine the interest rate of 5.65%, which was estimated based on the credit spread implied by the 2026 Notes issuance. Significant inputs used in the model to determine the applicable interest rate include implied volatility over the term of the 2026 Notes. The equity component representing the conversion option was determined by deducting the fair value of the liability component from the principal amount of the 2026 Notes. The difference between the principal amount of the 2026 Notes and the equity component totaling \$276.3 million was recorded as a debt discount. In addition, the Company incurred \$21.2 million of transaction costs related to the 2026 Notes, of which \$16.1 million and \$5.1 million, respectively, was allocated to the liability and equity components of the 2026 Notes. Transaction costs allocated to the equity component were recorded as additional debt discount. The equity component of the 2026 Notes will not be remeasured as long as it continues to meet the conditions for equity classification. The debt discount is amortized to interest expense over the term of the 2026 Notes using the effective interest method. Additionally, the Company recorded, through equity, a deferred tax

liability of \$2.4 million, net of the related change in the valuation allowance, related to the issuance costs and debt discount on the 2026 Notes.

The 2026 Notes consisted of the following (in thousands):

	<u>December 31, 2021</u>
Liability:	
Principal	\$ 1,150,000
Unamortized debt discount and issuance costs	(251,261)
Net carrying amount	<u>\$ 898,739</u>
Carrying amount of the equity component ¹	<u>\$ 271,229</u>

¹ The carrying amount of the equity component of \$271.2 million differs from the equity component of the 2026 convertible senior notes, net of issuance costs and tax of \$268.8 million per the Condensed Consolidated Statements of Stockholders' Equity due to a deferred tax liability of \$2.4 million, net of the related change in the valuation allowance, related to the issuance costs and debt discount on the 2026 Notes.

The effective interest rate of the liability component of the 2026 Notes, excluding the conversion option, is 6.04%.

The Company carries the 2026 Notes at face value less unamortized discount and issuance costs on its consolidated balance sheet and presents the fair value for disclosure purposes only. The estimated fair value of the 2026 Notes, based on a market approach at December 31, 2021, was approximately \$1.1 billion, which represents a Level 2 valuation. 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.

During the year ended December 31, 2021, the Company recognized \$41.2 million of interest expense related to the amortization of debt discount and issuance costs.

At December 31, 2021, the remaining life of the 2026 Notes was approximately 51 months.

The 2026 Notes were not convertible at December 31, 2021.

2024 Capped Calls

The capped calls related to the 2024 Notes (the "2024 Capped Calls") were not exercised as part of the repurchase and, as of December 31, 2021, were carried at 100% of their original value on the Company's accompanying consolidated financial statements.

2026 Capped Calls

In connection with the offering of the 2026 Notes, the Company entered into capped call transactions with certain counterparties (the "2026 Capped Calls" and, together with the 2024 Capped Calls, the "Capped Calls") at a cost of approximately \$102.4 million, which was recorded as a reduction of the Company's additional paid-in capital in the accompanying consolidated financial statements.

Under the 2026 Capped Calls, the Company purchased capped call options that initially cover in the aggregate, the total number of shares of the Company's common stock that initially underlie the 2026 Notes, with an exercise price equal to the initial conversion price of the 2026 Notes, and a cap price of \$233.31 per share of common stock, subject to certain adjustments under the terms of the 2026 Capped Calls.

By entering into the 2026 Capped Calls, the Company expects to reduce the potential dilution to its common stock upon any conversion of the 2026 Notes (or, in the event a conversion of the 2026 Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2026 Notes the market value per share of its common stock exceeds the conversion price of the 2026 Notes, with such reduction subject to the cap price.

The cost of the 2026 Capped Calls is not expected to be tax deductible as the Company did not elect to integrate the 2026 Capped Calls into the 2026 Notes for tax purposes.

Note 12—Equity Awards

2014 and 2016 Plans

On March 3, 2014, the Company adopted the 2014 Stock Incentive Plan (the “2014 Plan”). In November 2016, upon the completion of the Company’s initial public offering, the Company adopted the 2016 Equity Incentive Plan (the “2016 Plan”) and determined that it will no longer grant any additional awards under the 2014 Plan. However, the 2014 Plan continues to govern the terms and conditions of the outstanding awards previously granted under the 2014 plan. Upon the adoption of the 2016 Plan, the maximum number of shares issuable was 6.2 million, plus a number of shares equal to the number of shares subject to outstanding awards granted under the 2014 Plan after the date the 2014 Plan is terminated without having been exercised in full. The Company’s board of directors may grant stock options and restricted stock units to employees, directors and consultants under the 2016 Plan. The aggregate number of shares available under the 2016 Plan and the number of shares subject to outstanding options automatically adjusts for any changes in the Company’s outstanding common stock by reason of any recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction. Stock options and restricted stock units generally vest over four years and have contractual terms of ten years.

At December 31, 2021, 15.1 million shares were available for issuance under the 2016 Plan.

Stock options with service-only vesting conditions

A summary of the Company’s stock option activity and related information for awards that contain service-only vesting conditions was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding at December 31, 2020	2,944	\$ 35.03	6.8	\$ 289,561
Granted	260	\$ 111.94		
Exercised	(429)	\$ 28.09		
Forfeited/canceled	(36)	\$ 51.11		
Outstanding at December 31, 2021	<u>2,739</u>	\$ 43.20	6.3	\$ 167,498
Exercisable at December 31, 2021	1,879	\$ 30.70		

The weighted average grant date fair value per share of options granted during the years ended December 31, 2021, 2020, and 2019 that contain service only vesting conditions were \$50.77, \$26.63, and \$23.40, respectively. The aggregate intrinsic value of options exercised that contain service only vesting conditions during the years ended December 31, 2021, 2020, and 2019 were \$38.3 million, \$62.6 million, and \$25.6 million, respectively. Cash received from the exercise of stock options for the years ended December 31, 2021, 2020, and 2019 was \$11.4 million, \$20.6 million, and \$10.6 million, respectively.

Unrecognized compensation expense relating to stock options that contain service only vesting conditions was \$23.2 million at December 31, 2021, which is expected to be recognized over a weighted-average period of 2.4 years.

Stock options with performance conditions

In October 2016, the Company granted options to purchase 682,800 shares of common stock at an exercise price of \$14.00 per share to two executive officers that vest upon meeting certain performance conditions and continued service. On July 1, 2020, 200,000 stock options with performance conditions were canceled upon the change in the employment status of one of the officers. During the quarter ended March 31, 2021, the Compensation Committee, under delegation from the Board of Directors, certified that the performance targets were not achieved on the subsequent determination date and, as such, the remaining performance awards totaling 482,800 stock options were forfeited.

Restricted stock units

The following table summarizes activity for restricted stock units:

	Restricted Stock Units	Weighted- Average Grant Date Fair Value
	(in thousands)	
Nonvested at December 31, 2020	2,072	\$ 56.29
Granted	567	\$ 113.54
Vested	(918)	\$ 54.42
Forfeited/canceled	(218)	\$ 71.57
Nonvested at December 31, 2021	<u>1,503</u>	<u>\$ 76.83</u>

At December 31, 2021, the intrinsic value of nonvested restricted stock units was \$155.6 million. At December 31, 2021, total unrecognized compensation cost related to nonvested restricted stock units was \$98.4 million and was expected to be recognized over a weighted-average period of 2.6 years.

Employee Stock Purchase Plan

Under the Company's 2018 Employee Stock Purchase Plan ("ESPP") eligible employees are granted the right to purchase shares at the lower of 85% of the fair value of the stock at the time of grant or 85% of the fair value at the time of exercise. The right to purchase shares is granted twice yearly for six month offering periods in May and November and exercisable on or about the succeeding November and May, respectively, of each year. Under the ESPP, 1.1 million shares remained available for issuance at December 31, 2021. The Company recognized stock-based compensation expense related to the ESPP of \$3.8 million, \$2.9 million, and \$2.1 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The fair value of ESPP shares granted was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	0.0% - 0.2%	0.1% - 0.2%	1.6% - 2.4%
Expected term (in years)	0.5 - 1	0.5 - 1	0.5 - 1
Volatility	23.4% - 46.6%	50.2% - 57.8%	39.3% - 54.3%

At December 31, 2021, total unrecognized compensation cost related to the 2018 ESPP was \$2.7 million and was expected to be recognized over a weighted-average period of approximately one year.

Stock-based compensation expense

Stock-based compensation expense recorded in the Company's consolidated statements of operations was as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of revenues	\$ 8,410	\$ 6,896	\$ 4,814
Sales and marketing	22,756	21,546	15,389
Research and development	11,110	7,398	4,729
General and administrative	23,594	13,850	9,120
	<u>\$ 65,870</u>	<u>\$ 49,690</u>	<u>\$ 34,052</u>

Stock-based compensation capitalized as an asset was \$1.8 million, \$1.3 million, and \$0.5 million in the years ended December 31, 2021, 2020, and 2019, respectively.

The Company recorded \$0.6 million, \$0.3 million, and \$0.1 million of foreign tax benefits attributable to equity awards for the years ended December 31, 2021, 2020, and 2019, respectively.

Note 13—Income Taxes

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

	Year Ended December 31,		
	2021	2020	2019
United States	\$ (96,836)	\$ (35,999)	\$ (33,940)
International	(4,023)	(2,701)	3,519
	<u>\$ (100,859)</u>	<u>\$ (38,700)</u>	<u>\$ (30,421)</u>

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

	Year Ended December 31,		
	2021	2020	2019
Current			
Federal	\$ —	\$ 7	\$ —
State	63	63	59
Foreign	889	1,013	352
Total current tax expense	<u>952</u>	<u>1,083</u>	<u>411</u>
Deferred			
Foreign	(817)	(381)	1,314
Total deferred tax provision	<u>(817)</u>	<u>(381)</u>	<u>1,314</u>
Total provision for income taxes	<u>\$ 135</u>	<u>\$ 702</u>	<u>\$ 1,725</u>

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate for the years ended December 31, 2021, 2020, and 2019 was as follows:

	Year Ended December 31,		
	2021	2020	2019
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %
State tax, net of federal benefit	(0.1)%	(0.1)%	(0.2)%
Federal tax credits	6.1 %	9.1 %	5.8 %
Change in valuation allowance	(34.0)%	(17.8)%	(34.1)%
Foreign tax differential	(1.2)%	(2.5)%	(4.8)%
Windfall tax benefits, net related to stock-based compensation	16.5 %	35.6 %	11.2 %
Recaptured dual consolidated losses	— %	(38.3)%	— %
Nondeductible officer compensation	(7.5)%	(5.4)%	(2.8)%
Nondeductible transaction costs	— %	(1.9)%	— %
Nondeductible meals and entertainment	(0.5)%	(1.0)%	(1.9)%
Other	(0.4)%	(0.5)%	0.1 %
	<u>(0.1)%</u>	<u>(1.8)%</u>	<u>(5.7)%</u>

Significant components of the Company's deferred tax assets and liabilities were as follows (in thousands):

	December 31,	
	2021	2020
Deferred tax assets		
Net operating loss carryforwards	\$ 78,003	\$ 52,771
Business credits	25,447	16,016
Stock-based compensation	7,407	7,915
Operating and finance leases	2,126	2,297
Business interest carryforward	6,587	—
Accrued expenses and other current liabilities	3,986	3,037
Other	1,412	368
Total deferred tax assets	124,968	82,404
Less: valuation allowance	(32,279)	(37,691)
Deferred tax assets, net of valuation allowance	92,689	44,713
Deferred tax liabilities		
Convertible notes	(63,892)	(20,851)
Intangible assets	(13,499)	(12,315)
Prepaid expenses	(21,522)	(15,670)
Right-of-Use and finance lease assets	(1,681)	(1,674)
Other	(249)	(751)
Total deferred tax liabilities	(100,843)	(51,261)
Net deferred taxes	\$ (8,154)	\$ (6,548)

ASC 740 requires that the tax benefit of net operating losses, temporary differences, and credit carryforwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. Realization of future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. For financial reporting purposes, the Company has incurred losses for each of the past three years. Based on available objective evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided a valuation allowance against certain deferred tax assets. The net deferred tax liability position at December 31, 2021 was related to the Company's domestic and foreign tax jurisdictions. The net deferred tax liability position at December 31, 2020 was related to the Company's foreign tax jurisdictions.

The changes in the valuation allowance were as follows (in thousands).

	Year Ended December 31,		
	2021	2020	2019
Valuation allowance, at beginning of year	\$ 37,691	\$ 30,598	\$ 45,173
Increase in valuation allowance recorded through earnings	42,240	7,064	12,808
Increase (decrease) in valuation allowance recorded through equity	(47,652)	29	(27,383)
Valuation allowance, at end of year	\$ 32,279	\$ 37,691	\$ 30,598

The decrease in valuation allowance recorded through equity of \$47.7 million during the year ended December 31, 2021 is related to the issuance of the 2026 Notes. The decrease in valuation allowance recorded through equity of \$27.4 million during the year ended December 31, 2019 is related to the issuance of the 2024 Notes.

The Company did not provide for US income taxes on the undistributed earnings and other outside temporary differences of foreign subsidiaries as they are considered indefinitely reinvested outside the United States. At December 31, 2021 and 2020, the amount of temporary differences related to undistributed earnings and other

outside temporary differences upon which U.S. income taxes have not been provided is immaterial to these consolidated financial statements.

During 2020, the Company elected to change certain foreign subsidiaries from disregarded to controlled foreign corporation tax status for U.S. tax purposes. The change in tax status resulted in the recapture of \$70.6 million and \$37.7 million for federal and state tax purposes, respectively. Accordingly, the Company's federal and state net operating losses have been reduced for these recaptured amounts.

At December 31, 2021, the Company had consolidated federal and state net operating loss carryforwards available to offset future taxable income of approximately \$277.2 million and \$147.6 million, respectively. The federal losses will begin to expire in 2033, and the state losses will begin to expire between 2023 and 2033, depending on the jurisdiction. The Company has federal research and development credits and foreign tax credits of \$13.4 million and \$3.2 million, respectively, which begin to expire in 2033 and 2023, respectively. The Company has state research and development credits and enterprise zone credits of \$10.5 million and \$0.6 million, respectively, which are indefinite in expiration and begin to expire in 2023, respectively. Pursuant to Internal Revenue Code Section 382, use of the Company's net operating loss carryforwards may be limited if the Company experiences a cumulative change in ownership of more than 50% over a three-year period.

The following is a rollforward of the Company's total gross unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Beginning gross unrecognized tax benefits	\$ 2,523	\$ 1,737	\$ 1,223
Increases related to prior year tax positions	400	161	134
Increases related to current year tax positions	1,343	625	380
Ending gross unrecognized tax benefits	<u>\$ 4,266</u>	<u>\$ 2,523</u>	<u>\$ 1,737</u>

At December 31, 2021, the realization of unrecognized tax benefits were not expected to impact the effective rate due to a full valuation allowance on federal and state deferred taxes. The Company has not recorded any interest or penalties in its provision for income taxes for the years ended December 31, 2021, 2020, and 2019 and no such amounts have been accrued at December 31, 2021 and 2020.

The Company files U.S. federal, various state, and foreign income tax returns. In the normal course of business, the Company is subject to examination by taxing authorities. The tax years from 2013 forward remain subject to examination for federal purposes. Generally, state and foreign tax authorities may examine the Company's tax returns for four years and five years, respectively, from the date an income tax return is filed. However, the taxing authorities may continue to examine the Company's federal and state net operating loss carryforwards until the statute of limitations closes on the tax years in which the federal and state net operating losses are utilized.

The Company does not anticipate material changes in the total amount or composition of its unrecognized tax benefits within 12 months of the reporting date.

Note 14—Net Loss per Share

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

	Year Ended December 31,		
	2021	2020	2019
Numerator:			
Net loss attributable to BlackLine, Inc.	\$ (115,161)	\$ (46,911)	\$ (32,535)
Denominator:			
Weighted average shares	58,351	56,832	55,320
Add: Dilutive effect of securities	—	—	—
Shares used to calculate diluted net loss per share	58,351	56,832	55,320
Basic net loss per share attributable to BlackLine, Inc.	\$ (1.97)	\$ (0.83)	\$ (0.59)
Diluted net loss per share attributable to BlackLine, Inc.	\$ (1.97)	\$ (0.83)	\$ (0.59)

The following potentially dilutive shares were excluded from the calculation of diluted net loss per share attributable to common stockholders because they were anti-dilutive:

	Year Ended December 31,		
	2021	2020	2019
Stock options with service-only vesting conditions	2,739	2,944	3,486
Stock options with performance conditions	—	483	683
Restricted stock units	1,503	2,072	1,654
Total shares excluded from net loss per share	4,242	5,499	5,823

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 not considered in the calculation of diluted net loss per share 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. The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion option on diluted net income per share, if applicable. The conversion option may have a diluted impact on net loss per share when the average market price per share for a given period exceeds the conversion price of the 2024 Notes and the 2026 Notes of \$73.40 and \$166.23 per share, respectively.

Note 15—Contingent Consideration

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 required to pay additional cash consideration to certain equity holders if the Company realizes a tax benefit from the use of net operating losses generated from the stock option exercises concurrent with the 2013 Acquisition. The maximum contingent cash consideration to be distributed is \$8.0 million. The fair value of the contingent consideration liability was \$6.3 million and \$6.4 million at December 31, 2021 and 2020, respectively. See Note 2 for additional information regarding the valuation of the contingent consideration.

As a condition of the Rimilia Acquisition, the Company agreed to pay additional cash consideration if Rimilia realized certain Rimilia ARR thresholds in each year over a two-year period subsequent to the acquisition date. The maximum contingent cash consideration payable was \$30.0 million. During fiscal 2021, Rimilia did not meet specified ARR thresholds which relieved the Company of its obligation to pay some of the additional consideration. The Company recorded a reversal of expense which, when partially offset by a revaluation of contingent consideration related to remaining ARR thresholds, reduced the consideration payable by \$2.7 million during the year ended December 31, 2021. As of December 31, 2021, the maximum contingent cash consideration payable for Rimilia is \$15.0 million, and the Company has recognized a liability of \$14.4 million equal to the estimated fair value

of the contingent consideration payable. The fair value of the contingent consideration liability was \$17.1 million at December 31, 2020. See Note 2 for additional information regarding the valuation of the contingent consideration.

Note 16—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 December 31, 2021 and 2020, 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 17—Defined Contribution Plan

The Company sponsors a defined contribution retirement plan (the “Plan”) that covers substantially all domestic employees. The Company makes matching contributions of 100% of each \$1 of the employee’s contribution up to the first 3% of the employee’s bi-weekly compensation and 50% of each \$1 of the employee’s contribution up to the next 2% of the employee’s bi-weekly compensation. Matching contributions to the Plan recorded in the Company’s consolidated statements of operations totaled \$5.9 million, \$4.7 million, and \$3.6 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Note 18—Geographic Information

The following table sets forth the Company’s long-lived assets, which consist of property and equipment, net, and operating lease right-of-use assets by geographic region (in thousands):

	Year Ended December 31,	
	2021	2020
United States	\$ 20,350	\$ 17,600
International	12,235	4,347
	<u>\$ 32,585</u>	<u>\$ 21,947</u>

Note 19—Unaudited Quarterly Data

The following table sets forth unaudited quarterly consolidated statements of operations data for each of the quarters in the years ended December 31, 2021 and 2020. The Company has prepared the unaudited quarterly consolidated statements of operations data on a basis consistent with the audited annual consolidated financial statements. In the opinion of management, the financial information in this table reflects all adjustments, consisting of normal and recurring adjustments, necessary for the fair statement of this data.

	Quarter Ended							
	2021				2020			
	December 31,	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
Revenues	\$ 115,326	\$ 109,402	\$ 102,122	\$ 98,856	\$ 95,710	\$ 90,157	\$ 83,272	\$ 82,598
Gross profit	\$ 87,354	\$ 84,965	\$ 78,550	\$ 76,966	\$ 76,528	\$ 73,175	\$ 66,529	\$ 66,533
Net loss	\$ (32,476)	\$ (9,718)	\$ (25,576)	\$ (33,224)	\$ (12,634)	\$ (7,857)	\$ (7,941)	\$ (10,970)
Net loss attributable to non-controlling interest	\$ (177)	\$ (252)	\$ (284)	\$ (197)	\$ (268)	\$ (425)	\$ (328)	\$ (328)
Adjustment attributable to non-controlling interest	\$ 4,711	\$ 4,275	\$ 154	\$ 5,937	\$ 4,619	\$ 1,319	\$ 719	\$ 2,201
Net loss attributable to BlackLine, Inc.	\$ (37,010)	\$ (13,741)	\$ (25,446)	\$ (38,964)	\$ (16,985)	\$ (8,751)	\$ (8,332)	\$ (12,843)
Basic net loss per share attributable to BlackLine, Inc.	\$ (0.63)	\$ (0.23)	\$ (0.44)	\$ (0.67)	\$ (0.30)	\$ (0.15)	\$ (0.15)	\$ (0.23)
Diluted net loss per share attributable to BlackLine, Inc.	\$ (0.63)	\$ (0.23)	\$ (0.44)	\$ (0.67)	\$ (0.30)	\$ (0.15)	\$ (0.15)	\$ (0.23)

Note 20—Subsequent Events

FourQ Systems, Inc. Acquisition

On January 26, 2022, we completed the acquisition of FourQ Systems, Inc. ("Four Q"), a leader in intercompany financial management technology. With FourQ, BlackLine seeks to enhance its existing intercompany accounting automation capabilities by driving end-to-end automation of traditionally manual intercompany accounting processes and accelerating BlackLine's larger, long-term plan for transforming and modernizing finance and accounting.

We acquired all of the equity interests in FourQ for consideration of \$165.0 million payable at close. The final purchase price consideration will also include an estimate for contingent consideration of up to \$75.0 million over the next three years subject to certain financial performance milestones. The fair value estimate of contingent consideration is in the early stages of analysis. The purchase price is also subject to certain post-closing purchase price adjustments, including working capital adjustments.

Given the recent timing of the closing of this acquisition, we are in the process of identifying and measuring the value of the assets acquired and liabilities assumed. We plan to disclose the preliminary purchase price allocation estimates and other related information in our Form 10-Q for the quarterly period ending March 31, 2022.

Equity Grants

On February 16, 2022, the Compensation Committee of the Board of Directors of BlackLine, Inc. approved restricted stock unit grants to employees totaling 0.1 million shares. Each restricted stock unit entitles the recipient to receive one share of common stock upon vesting of the award. The vast majority of the restricted stock units will vest as to one-fourth of the total number of units awarded on the first anniversary of February 20, 2022 and quarterly thereafter for 12 consecutive quarters.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures at December 31, 2021, the last day of the period covered by this Annual Report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, at December 31, 2021, our disclosure controls and procedures were effective at a reasonable assurance level.

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.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective at December 31, 2021. The effectiveness of the Company’s internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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 December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item will be included in our Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission, or the SEC, within 120 days of the fiscal year ended December 31, 2021, and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required by this item will be included in our Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021, and is incorporated herein by reference.

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

The information required by this item will be included in our Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021, and is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plan

The information required by this item will be included in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021, and is incorporated herein by reference.

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

The information required by this item will be included in our Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021, and is incorporated herein by reference.

Item 14. *Principal Accounting Fees and Services*

Our independent registered public accounting firm is PricewaterhouseCoopers LLP, Los Angeles, CA.

The information required by this item will be included in our Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021, and is incorporated herein by reference.

With the exception of the information incorporated in Items 10, 11, 12, 13, and 14 of this Annual Report on Form 10-K, our Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021 is not deemed “filed” as part of this Annual Report on Form 10-K.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

Documents filed as part of this report are as follows:

1. Consolidated Financial Statements:
Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.
2. Financial Statement Schedules:
Financial Statement Schedules have been omitted as information required is inapplicable or the information is presented in the consolidated financial statements and the related notes.
3. Exhibits:

The documents listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Merger, by and among SLS Breeze Holdings, Inc., SLS Breeze Intermediate Holdings, Inc., SLS Breeze Merger Sub, Inc. and BlackLine Systems, Inc., dated as of August 9, 2013	S-1	333-213899	2.1	September 30, 2016
3.1	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the Registrant, effecting a one-for-five reverse stock split.	S-1/A	333-213899	3.2	October 17, 2016
3.2	Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	001-37924	3.2	December 12, 2016
3.3	Amended and Restated Bylaws of the Registrant.	10-Q	001-37924	3.3	December 12, 2016
4.1	Specimen Common Stock Certificate of the Registrant.	S-1	333-213899	4.1	September 30, 2016
4.2	Description of Registrant's Securities	10-K	001-37924	4.2	February 25, 2021
4.3	Amended and Restated Stockholders' Agreement, by and among the Registrant, Silver Lake Sumeru, Iconiq, Therese Tucker and Mario Spanicciati.	10-Q	001-37924	4.2	December 12, 2016
4.4	Amended and Restated Registration Rights Agreement, by and among the Registrant, Silver Lake Sumeru, Iconiq, Therese Tucker and Mario Spanicciati.	10-Q	001-37924	4.3	December 12, 2016
4.5	Form of Senior Indenture.	S-3	333- 221500	4.5	November 13, 2017
4.6	Form of Subordinated Indenture.	S-3	333- 221500	4.6	November 13, 2017
4.7	Indenture, dated as of August 13, 2019, between the Company and U.S. Bank National Association.	8-K	001-37924	4.1	August 13, 2019
4.8	Form of 0.125% Convertible Senior Note due 2024 (included in Exhibit 4.7).	8-K	001-37924	4.1	August 13, 2019
10.1*	Software Development Cooperation Agreement, by and between the Company and SAP AG, effective as of October 1, 2013.	S-1	333-213899	10.1	September 30, 2016
10.2	Amendment No. 1 to Software Development Cooperation Agreement, by and between the Company and SAP AG, effective as of October 31, 2018	10-K	001-37924	10.2	February 28, 2019
10.3+	2014 Equity Incentive Plan and form of equity agreements thereunder.	S-1	333-213899	10.6	September 30, 2016
10.4+	Amendment No. 1 to the 2014 Equity Incentive Plan.	S-1	333-213899	10.7	September 30, 2016
10.5+	Amendment No. 2 to the 2014 Equity Incentive Plan.	S-1	333-213899	10.8	September 30, 2016
10.6+	Amendment No. 3 to the 2014 Equity Incentive Plan.	S-1	333-213899	10.9	September 30, 2016
10.7+	2016 Equity Incentive Plan and the form of equity award agreements thereunder.	S-1/A	333-213899	10.10	October 17, 2016
10.8+	Employee Incentive Compensation Plan of the Company.	S-1	333-213899	10.11	September 30, 2016
10.9+	2018 Employee Stock Purchase Plan.	10-Q	001-37924	10.2	August 8, 2018
10.10+	Form of Change of Control and Severance Policy.	S-1	333-213899	10.13	September 30, 2016
10.11+	Executive Employment Agreement, by and between the Registrant and Therese Tucker, effective as of January 1, 2016.	S-1	333-213899	10.14	September 30, 2016
10.12+	Employment Offer Letter, by and between the Company and Karole Morgan-Prager, dated as of May 4, 2015.	S-1	333-213899	10.16	September 30, 2016
10.13+	Confirmatory Offer Letter, by and between the Registrant and Karole Morgan-Prager, dated as of September 29, 2016.	S-1	333-213899	10.18	September 30, 2016

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.14+	Employment Offer Letter, by and between the Company and Mark Partin, dated as of December 25, 2014.	S-1	333-213899	10.19	September 30, 2016
10.15+	Confirmatory Offer Letter, by and between the Registrant and Mark Partin, dated as of September 29, 2016.	S-1	333-213899	10.20	September 30, 2016
10.16+	Employment Offer Letter, by and between the Registrant and Marc Huffman, dated as of January 8, 2018.	10-Q	001-37924	10.18	May 9, 2018
10.17+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1	333-213899	10.22	September 30, 2016
10.18*	Office Lease, by and between the Company and Douglas Emmet 2008, LLC, dated November 22, 2010.	S-1	333-213899	10.25	September 30, 2016
10.19*	First Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated August 14, 2012.	S-1	333-213899	10.26	September 30, 2016
10.20*	Second Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated December 26, 2013.	S-1	333-213899	10.27	September 30, 2016
10.21*	Third Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated June 24, 2014.	S-1	333-213899	10.28	September 30, 2016
10.22	Fourth Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated January 29, 2015.	S-1	333-213899	10.29	September 30, 2016
10.23	Fifth Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated October 6, 2016.	S-1/A	333-217981	10.26	May 22, 2017
10.24	Sixth Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated May 10, 2017.	S-1/A	333-217981	10.27	May 22, 2017
10.25	Seventh Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated May 18, 2017.	S-1/A	333-217981	10.28	May 22, 2017
10.26	Form of Capped Call Confirmation.	8-K	001-37924	10.2	August 13, 2019
21.1**	List of subsidiaries of the Company.				
23.1**	Consent of Independent Registered Public Accounting Firm.				
24.1**	Power of Attorney (included in signature pages hereto).				
31.1**	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2**	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document				
101.SCH**	Inline XBRL Taxonomy Extension Schema Document				
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document				

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
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)				

* Portions of this exhibit (indicated by “[***]”) have been omitted as the Company has determined the omitted information (i) is not material and (ii) would be competitively harmful to Registrant if publicly disclosed

** Filed herewith.

+ Indicates management contract or compensatory plan.

† The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K 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 Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 2022.

BLACKLINE, INC.

By: /s/ Marc Huffman
Name: Marc Huffman
Title: Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Marc Huffman and Mark Partin, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

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

Signature	Title	Date
<u>/s/ Marc Huffman</u> Marc Huffman	Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2022
<u>/s/ Mark Partin</u> Mark Partin	Chief Financial Officer (Principal Financial Officer)	February 25, 2022
<u>/s/ Patrick Villanova</u> Patrick Villanova	Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022
<u>/s/ Owen Ryan</u> Owen Ryan	Director	February 25, 2022
<u>/s/ Graham Smith</u> Graham Smith	Director	February 25, 2022
<u>/s/ Kevin Thompson</u> Kevin Thompson	Director	February 25, 2022
<u>/s/ Therese Tucker</u> Therese Tucker	Director	February 25, 2022
<u>/s/ Thomas Unterman</u> Thomas Unterman	Director	February 25, 2022
<u>/s/ Sophia Velastegui</u> Sophia Velastegui	Director	February 25, 2022
<u>/s/ Barbara Whye</u> Barbara Whye	Director	February 25, 2022
<u>/s/ Mika Yamamoto</u> Mika Yamamoto	Director	February 25, 2022